

GOING-CONCERN EVALUATION IN JORDAN

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ABSTRACT

Jordan is still suffering from financial distress due to the continuity of its company's failure. Jordanian laws and regulations, in addition to Inter National Standard No. 570 have considered external auditor to be responsible for the evaluation of the company's going concern and to give an early warning to the stakeholders of any impending failure. The external auditor has to add an explanatory paragraph in his report regarding the company's going concern. The problem in Jordan is that some of the external auditors issued unqualified opinion, and some of the companies were declared bankrupt after the issuance of the report. This issue has been confirmed by previous studies and pilot study by the researcher by investigating on 160 reports related to 32 Jordanian companies that faced such failure. Therefore, this study aimed to investigate the factors that influence the auditor's evaluation of the company's going concern in Jordan. The importance of this study appeared through the examination of demographic factors and auditing related factors and their relationship with the auditor evaluation of the company going concern and to provide critical recommendations to policy makers in Jordan to overcome this issue and improving the auditor report toward company's going concern. To achieve the objectives of this study, questionnaires were administered to 473 external auditors listed with Jordanian Association of Certified Public Accountants (JACPA) for 2007. Multiple regression (Standard regression) was also used to test the study hypotheses. In general, four variables were positively significant related with the auditor evaluation of the company going concern. These variables are audit fees, social relations, hiring and dismissing the auditor, and audit firm size. On the other hand, consultant services are negatively significant related with the auditor evaluation of the company going concern. Findings of this study also showed that the demographic

and auditing-related factors significantly explained more than 51 % of the variance in the auditor evaluation of the company going concern. Jordanian government and JACPA should issue new regulations to increase the audit fees to fit the auditors work, integrate small audit firms, improve social relations, increase hiring and dismissing the auditor, and prevent consultant services given by the external auditors to their clients. On the other hand, the demographic factors were insignificant related with the auditor evaluation of the company going concern. Thus, the audit career in Jordan also needs more control, regulations, policies and systems to provide a structure for protecting the auditor's decision related to company's going concern issues. In relation to the practical and theoretical contribution, this study used new variables in new model such as audit fees, consultant services, social relations, and experience of the auditor in accounting. Furthermore, practical contribution will help policy makers and Jordanian government to advance in this area and look upon new policy toward external auditors (new laws, new regulations, and more control on auditor report) to protect the economy and the society stability.

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LIST OF ABBREVIATIONS

Abb	Full List
AECGC	Auditors Evaluation of the Companies Going Concern
QUALIFI	Academic Qualification
SMAJOR	Study Major
EAUDIT	Experience in Auditing
EACCOUN	Experience in Accounting
AFEES	Audit Fees
SOCIALR	Social Relations
ADFRAUD	Administration Fraud
CONSSER	Consultant Services (Non-audit services)
HIRDISM	Hiring and Dismissing the Auditor
SIZEAF	Size of the Audit Firm
LEGALDI	Legal Disputes
COMPETI	Competition
AICPA	American Institute of Certified Public Accountants
APB	Auditing Practices Board
APC	Auditing Practices Committee
ASB	Auditing Standards Board
ASE	Amman Stock Exchange
CAR	Commission Auditor's Responsibilities
CPA	Certified Public Accountant
CCAB	Consultative Committee of Accounting Bodies
FASB	Financial Accounting Standard Board
GAAS	Generally accepted auditing standard
HANYS	Hospital Association of New York State
IAASB	International Auditing and Assurance Standards Board
IAPC	International Auditing Practices committee
IAS	International Accounting Standards
IASC	International Accounting Standards Committee
IFA	International Federation of Accountants
ISA	International Standards on Auditing
JACPA	Jordanian Association of Certified Public Accountants (JACPA)
JSC	Jordan Securities Commission
NAS	Non-audit services
NPS	National Portfolio Securities
SAS	Statement on Auditing Standards
SEC	Securities and Exchange Commission in American

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter introduces the research agenda of this study. It outlines the background of the study, statement of the problem, research questions, research objectives, motivation of the study, contribution of the study and organisation of the remaining chapters.

1.1 Background of the Study

The Jordanian economy has suffered from financial difficulties because of company failures in 1989. Consequently, King Abdullah of Jordan and the Jordanian government have encouraged and invited foreign investors to come to Jordan to overcome those financial distresses. To address this problem, the government has initiated the conference in 2003 to discuss the companies' going concern. The Jordanian government has recommended and requested from all stakeholders of going-concern companies such as auditors, managers and researchers to seek for consideration and studying the act. The conference regarding the companies going concern and real reasons related to their failure was held in Amman in 2003. Consequently, the Conference came up with the following resolutions:

- a. The existence of erroneous practices of some Jordanian auditors is caused by the lack of practical and scientific experience. This has an effect on the evaluation of a company's going concern ability.
- b. There is the existence of financial and social problems affecting the auditor's independence to express his neutral opinion on financial statements and evaluating a company's going-concern ability (Albasheer, 2003).

The conference has also concluded that the company's ability of achieving objectives and equity can be ensured by applying laws and regulations on all managers and workers.

Companies' failure has almost affected the Jordanian economy since 1989. The Jordanian economy has changed since 1989 regarding companies' failure. Moreover, these concerns have significant impact on the Jordanian economy. It is known that literature related to failure of the companies issues play significant role in both the academic world and popular press. Furthermore, companies going concern has become an important political economic issue since the increase in the public awareness due to companies failure in Jordan.

Since the Scientific Conference No.5 (2003) until today, there have been little concrete achievements. Regarding this issue numerous meetings have been held but the external auditor commitment in his report about of the companies going concern has been limited, and many of the companies going concern problems remain unsolved. Several studies have been conducted regarding the companies going concern for example Thneibat (1991), Asfor (2003) and Matter (2000). However, they

are still limited in number. The question why the external auditor does not articulate the companies going concern problems in his report remains an issue. Regarding the empirical studies, the reporting of going concern information in companies' annual reports are still lacking by the external auditor. Shwiyat (2004) noted that the disclosures about the problems of the companies going concern are still limited. For this reason, the researcher attempted to examine the responsiveness of external auditor in the evaluation of the public shareholding companies going concern in Jordan. Here, the researcher will address the demographic factors and auditing-related factors on the external auditor evaluation the companies going concern under ISA no. 570. This study will hopefully contribute in finding some solutions for this problem.

This phenomenon (companies' failure) is not new and does not happen only in Jordan but also in other countries. In 1720 for instance, the "South Sea Bubble Scandal Company" crashed and the total market value of this company exceeded the wealth of the England's economy. It was the most significant event in the English economy; and this event was precedent in the history of auditing (Cangemi and Singleton, 2003).

Hence, at international level, the International Federation of Accountants (IFAC) has developed international accounting standards (IAS) and International Standards on Auditing (ISA), while the American Institute of Certified Public Accountants (AICPA) has developed many standards on auditing. Jordan, on the other hand, has required the public shareholding companies to apply international accounting and auditing standards according to the economic and political environment based on the

laws of the company. In relation to that, there are no local auditing standards in Jordan. Therefore, the “Jordanian Association of Certified Public Accountants” (JACPA) adopted the International Standards on Auditing (ISA) No. 570 that is related to companies going concern. However, going concern is one of the basic concerns that the preparer of the financial statements depends on. In this case, the company is continuing its activities for an unlimited period of time to execute its plans. Going-concern is also defined as the expectation of the company to remain in operation for a near future. In auditing, the going concern concept means an external auditor gives his opinion about the company's ability to continue its activities or not. However, the external auditor does not guarantee as to the future viability of the entity (AICPA, 1997).

Consequently, the role of accounting does not stop at developing its practical application, namely looking at it as just a tool of internal control on properties and leaving the responsibility to the capitalists. In the beginning of the nineteenth century, the concern was on developing accounting professionally and academically as a result of the rise of the shareholding companies, which were effective for gathering huge capitals as a result of the limited risks for investors.

According to Kenneth (1977), shareholding companies have two influential characteristics on accounting; the going concern, which is considered to be the base for those companies to continue their activities in financial accounting and the large number of shareholding companies that affected accounting professionally. In most cases, the shareholding companies were established to practice their activities over unlimited periods of time because owners wanted to execute short-term and long-

term plans. Therefore, the assumption of the accountants is that the companies will continue their activities. This assumption is important in accounting and affects other accounting principles such as maturity, certainty, historical cost and measurement. However, this assumption does not mean that the companies will be in business forever; in fact, it just means that the company will continue executing its plans and in case of failure, the role of the external auditor is considered important for the company's future. Thus, the auditor's major responsibility toward the financial statements is the expression of opinions about those statements and his procedures for planning purposes such as review of his own records on the entity, discussion with others in the company and discussions with the client's personnel. The auditor also has to establish the timing of audit work, review various sources of industry information, (such as industry publication and annual reports) review correspondence files and prior year's working papers, documents permanent files such as financial statements, and auditor reports (Guy and Carmichael, 2002).

Therefore, it is necessary to determine who are the users of the financial report and explore the sort of decision which they have to take. The Financial Accounting Standard Board (FASB) determines those users as owners, lenders, suppliers, potential investors and creditors, customers, managers, directors and taxation authorities, financial analysts and labour unions. The financial report provides the information to the user about the economic resources of an enterprise and this financial information must be useful and clear (Lewis and Pendrill, 2004). Besides that, the basic function of financial statements is to provide information for economic decision-making. Therefore, the auditor's task is to express his opinion on the fairness of these statements. Sometimes there are doubts about the ability of a

company going-concern. William Casey, former Chairman of the Securities and Exchange Commission, has expressed the importance of this situation on the auditor evaluation function:

“Auditors sometimes find themselves so uncertain about a company’s viability as a going concern that they find themselves unable to give an opinion as to the overall fairness of the financial statements, which rest after all on the implicit assumption that there is an on going business here which can reasonably be expected to continue operating for an indefinite period in the future. We think it is imperative that such prime candidates for bankruptcy or reorganization procedures are spotted at the earliest possible moment so that investors may guide themselves accordingly” (Casey, 1972).

On the other hand, the governments in most countries such as the United States of America (USA), United Kingdom (UK), enact legislations that guarantee a minimum amount of information to be released to external parties especially shareholders and creditors. It is normal that the accountant give the necessary information to external parties to attract their investments. It is also necessary to audit the financial statements to determine the reliability of the information given. Starting from the role of the external auditor in criticizing and evaluating information, the attention on the interest in having professional accounting auditing has also been increased locally and internationally. This also increased the ability of that information to meet the needs of its users to make decisions and the reliability of those statements. Because of this, the role of the external auditor is not just limited to the traditional role of auditing financial statements and giving technical opinion that gives a clear and accurate picture about the financial center and the production of the company's

activities, but also the external auditor must take into consideration the company's ability to continue its operations. In contrast to that, when the company faces any financial problem such as the inability to fulfill its commitments and suffers losses, the role of the external auditor becomes of high importance to evaluate the ability of the company to continue. In addition to that, giving early warning to surmount any going concern indications might be threaten companies going concern. This will protect the interests of the financial statements users and help them make their investments' decisions. This will also protect the social and economic stability in Jordan. On the contrary, if the accountant does not provide the necessary information, the auditor will not be able to evaluate the companies going concern and gives the right decision in his report.

The International Federation of Accountants (IFAC) has released the International Standard No. 570 for auditing, concerning going-concern, aiming to assist the auditors to perform their activities in case there are doubts about preparing correctly the financial statements regarding the going concern. That standard determined some guidelines through which the going-concern or the ingoing of the company can be predicted. When it comes to planning the audit procedures for evaluating outcomes of the company's activities, the auditor must use the going-concerns assumption to prepare the financial statements without the manager's approval. This is because, the auditors report will aid in establishing the credibility of the financial statements. However, it does not guarantee for the far future, since the fixed period is only for one year. As such, the auditor should take going-concern risks derived from the financial statements or from other sources (AICPA, 1997). In the long run, a public shareholding company in Jordan consists of at least two founders with an unlimited

duration based on the financial obligations of each shareholder in that company with its assets and responsible for any debits and commitment. However, the shareholders have no responsibility towards them. They are just responsible for their shares. The capital of the shareholding companies in Jordan such as banks, industrial, services and insurance companies, finance and concession must not be less than 500,000 JD for each company. The amount of each share is valued at JD 1.00. According to the Jordanian Company law (1997), the company is obliged to employ one or more auditors for one year or more to audit the company by applying the international auditing standards.

1.2 Problem Statement

The Jordanian economy depends on the financial aids from abroad and taxes from Jordanian companies¹ because of lack of natural resources and raw materials. Over the last decades, particularly, in 1989, Jordan suffered a severe economic crisis resulting in the two decrease of the financial strength and bankruptcy of many companies, leading to a depreciation of the exchange rate of the Jordanian Dinar (from 1JD = USD3.35, depreciated to USD1.41 after the crisis) in addition to an increase of unemployment in the country. As an example; the bankruptcy of Petra Bank led to the lost of about JD200 million (USD670 million).

¹Jordanian Annual Economic Reports in 2002,2003,2004,2005 and 2006 showed the following economic situation: fiscal deficit was 3195.5 millions JDs, public debt 35834 millions JDs, foreign donation 2565.1 millions JDs and taxations revenue 7411.6 millions of JDs (Al- Khateeb, 2002, 2003, 2004, 2005, 2006)

In another bankruptcy case, Magnesia Company lost JD130 million. The Council of Ministers has sent these cases to the Attorney General for inspection and resulted in legal proceedings (Jodeh, 2006). The bankruptcy of Jordanian companies has also affected local society with increased unemployment. Large capitals that were transferred outside the country have also affected investment in Jordan in a negative way. Those problems still affect the Jordanian economy until now. Many companies have encountered failure and bankruptcy and there is no indication in the external auditor report about the probability of that failure. The practical reality of auditing also showed that there is a big gap between what the auditor expects and what he really does (Asfoor, 2003). In a study by Venuti (2004), 12 companies in USA went bankrupt; and the increase in the rate of bankruptcy was unexpected.

Surprisingly, the auditors' did not give early warning to their clients about the financial distress and impending failure even though Statement on Auditing Standards (SAS) No. 59 has discussed regarding companies going concern by the audit profession.

Several authors noted some companies failed after receiving unqualified audit opinion. There were also inquiries about how the company got a clean report but then collapsed the next day of the report. With each failure of the company shortly after the issuance of a non-going concern audit report, the public started asking the question: "Where were the auditors?" In addition to that, they showed that there was no commitment to the requirements of preparing reports and also no-commitment to the International Standards on Auditing by the auditor. This weakens the credibility of the report and negatively affects its users. Therefore, this really affects the role

and the performance of the auditor in evaluating the going concern of companies. (Jodi and Bellovary, 2006; Asfoor, 2003; Raghunandan and Rama, 1992; Matarneh 2003).

Therefore, the AICPA issued SAS No. 59 to increase the auditor's responsibility for going concern evaluation in an effort to improve external auditor's communications and to take an active role in their evaluation of company ability to continue as a going concern.

Recently, Jordan has shown great development in all of its economic sectors, leading to the enlargement of investments and enterprises towards privatization. In order to cope with these developments, the Jordanian auditor has to evaluate the going-concern of the shareholding companies. Thus, the International Standard on Auditing No. 570 regarding going concern specifies a number of procedures that determine the continuity of a company. It stipulates that the auditor must be watchful for any doubts or problems on the going-concern aspect of the company through his planning of the auditing operations. He must also gather proofs and facts to overcome any doubts or problems that may appear. In addition to that, the Jordanian Law No. 22, 1997 Article 21 states that the responsibility towards the company's shareholders and users of the financial statements is on the auditor. He has to compensate them for any damages or losses he causes such as violating the Jordanian law and the International Standards on Auditing, or issuing incorrect financial statements.

Matter (2000) also revealed that most of the auditors in Jordan do not have enough experience to evaluate the companies' going concern from academicians and

businessmen points of view. However, the auditors refused to accept these views. Only twenty percent of them admitted that. Despite this, the role of the external auditor is vital and comprehensive. He is the one who can determine if the company is running well or not. However, Al-Basheer (2003) said that in reality it is different since the auditing fee paid to the auditor does not suit the auditors' effort.

In order to overcome this problem, the researcher had investigated 32 audit reports out of 133 Jordanian failure companies. The investigation reveals that only 9 (28%) of those companies contained a separate paragraph indicating the auditor's doubt about companies' going concern. The external auditors could not give an early warning to their clients about the financial distress and imminent failure in the other 23 (72%) companies. (Please refer to page 50).

To date, there are only a limited number of studies that examined the relationship between the demographic factors, auditing-related factors and the external auditors' evaluation of the company's going concern in Jordan with respect to the company's failure after receiving unqualified opinion (Matter, 2000; Thneibat, 1991; Amoudi, 2001). Among the variables tested by previous studies including academic qualification, study major, experience in auditing, audit fees, social relations, non-audit services, change of the auditor, audit firm size, legal disputes, and competition between auditors. However, results from these studies are mixed. For example, Matter (2000) and Amoudi (2001) showed that academic qualification, study major, experience in auditing, and information provided by the management have a positive relationship with AECGC but Thneibat (1991) found a weak relationship because all

auditors (even without specific academic qualification) can evaluate the companies going concern and the majority of auditors have accounting specialization.

In addition to that, Sumunica (1980); AICPA (1978); Palmors, (1986); Francis and Simon (1987); DeAngelo (1981); and Goldman and Barlev (1974) said that there is a positive relationship between the audit fees, non-audit services, legal disputes, competition and auditor change with the auditor independence. On the other hand, Matter (1994); Al-Momani, (2004); Shockly, (1981); Titard, (1971); US Senate (1976) and Hartly and Ross, (1972) found a negative relationship.

Another studies by Bashtawi and Suleiman (2003); Basodan et al. (2004) showed that social relations between the auditor and management positively affect the auditor performance and change.

Other studies aimed to know the effect of audit firm size on the auditor's decision related to companies going concern. They found that there was a positive relationship between auditing firm size and the auditor decision about the going concern. Big firm are more able to evaluate the companies going concern than smaller ones (Priscilla and Devine, 1995; Matter, 2000).

As we have seen, those studies agreed on some points and contradicted on others concerning the relationship of those variables between each other. Moreover, some of those studies did not examine the relationship of some of the variables (in this study) such as audit fees, consultant services, social relations, and experience in accounting on the external auditor evaluation of the companies going concern.

Besides, prior research on the relationship between demographic factors and auditing-related factors indicated that the effects of these factors on the external auditor evaluation of the company going concern have not been examined.

To overcome going concern issues, the agency and accountability theories have focused on the relationships between auditors and policy makers consecutively to improve the going concern evaluation. Such alternative of evaluation would be achieved through the examination of the relationships between the demographic and audit-related factors with the auditor evaluation of the company going concern. For instance, one way to avoid the going concern evaluation issues is through objective research that can help the researcher to explain and predict the auditor evaluation of the company's going concern in order to help auditors and policy makers' make better decisions. Additional insight is gained through exploring the impact of demographic and auditing-related factors on the auditor's evaluation of the company going concern.

Therefore, this study is going to take into consideration a new model including all the factors mentioned above and other variables to investigate the reasons why the external auditors did not indicate the problems of the going concern of the companies they reported through examining the influence of those variables on the external auditor evaluation of the companies going concern in Jordan. Consequently, the following questions will be raised to work out the problem of this study:

1. What is the relationship between the auditor's evaluation of the companies' going concern and the demographic factors such as academic qualification, study major, experience in auditing and experience in accounting before auditing?
2. What is the relationship between the auditor's evaluation of the companies' going concern and the auditing-related factors such as auditor's fees, social relations, administration fraud, consultant services (non-audit services, hiring and dismissing the auditor, audit firm size, legal disputes, and competition?
3. To what extent do demographic and auditing-related factors influence the auditor evaluation of the company going concern?

1.3 Research Objectives

The research objectives of this study are as follows:

1. To examine the relationship between the demographic factors and the auditor's evaluation of the company's going concern in Jordan.
2. To examine the relationship between the auditing-related factors and the auditor's evaluation of the companies going concern in Jordan.

3. To examine the extent of demographic factors and auditing-related factors influencing the auditor's evaluation of the companies going concern in Jordan.

1.4 Motivation of the Study

The 'Going concern' assumption contains multiple systems of knowledge, guidelines and procedures that were included in the International Standard on Auditing No. 570. These (guidelines and procedures) are considered necessary and useful to auditors, managers, and relate to the going-concern prediction of companies. Prediction is an early warning given by an auditor to the management for treatment of all deviations and ensures the continual operation of the activities of the company involving shareholders, creditors, and workers.

Although these guidelines were widely known to managers and auditors, the Jordanian government still needs to have regulations, laws and legislations regarding the company's going concern. This can be seen through the failure of some companies like Petra Bank which was bankrupted fault of management fraud leading to the weakness of the Jordanian economy and many crises to the local society. According to Jordanian company laws, the role of the external auditor is very important in evaluating the company's going concern. In case of the impending company failure, the auditor has to provide to the company an early warning to overcome any indications that would threaten its activities going concern. On the other hand, Jordanian economy depends on taxation revenue from Jordanian companies and foreign donation. Therefore, the auditor report is vital to consider Company's going concern, but the auditor report is still weak toward this issue.

Many previous studies showed that most of the auditors issued unqualified opinion (clean report) but then bankruptcy the next day (Raghunadan and Rama, 1992). This issue negatively affected the Jordanian economy and society through financial distress and increases unemployment. Therefore, Jordanian government has recommended and requested from all stakeholders of going-concern companies such as auditors, managers and researchers to seek for consideration and studying the dilemma.

In line with that, the researcher adopted this study to find out the real factors that influenced the auditors' decisions in issuing unqualified opinions regarding the evaluation of the companies going concern in their reports. The researcher also provided Jordanian government and policy makers some recommendations based on the study findings to overcome those problems and protect stability of the Jordanian economy and society.

1.5 Contribution of the Study

The Jordanian economy in general and the developing economies in particular suffer from depression that blackmails large number of companies. Due to of the difficulties of the going-concern assumption that some companies face in Jordan, the role and evaluation of the external auditor in Jordan towards the going-concern assumption of those companies becomes more important than in the normal conditions.

Therefore, the significance of the study can be seen from both theoretical and practical perspectives. Therefore, theoretical perspective in this study supported how

agency theory provides the external auditing discipline and self-control based on the monitoring expenditure incurred by the principal and the agent.

Besides that, accountability theory, it will work out economic and social problem in Jordan caused by the companies' failure since the external auditors are accountable for the company's going concern ability such as the audit practices. In that case, this study will help to protect the interests of financial statements' users and help them to make decisions on their investments. Hence, it will further protect the social and economic stability in Jordan.

Moreover, this study will be useful to policy makers and academicians regarding companies going concern in case there is a need to modify the existing ISA 570 – Going Concern. Additionally, increases the confidence of all concerned in the financial sector through the ability of the shareholding companies to continue their new operations. Also, to increasing the level of the external auditor's performance by applying certain procedures to evaluate the ability of the shareholding companies to continue according to the International Standards on Auditing and the Jordanian law.

In reality, this study will be constructive through increasing the importance of the external auditor's knowledge about the laws that comply with the International Standards on Auditing regarding the going concern. in addition to confirm a new model with new variables such as audit fees, social relations, non-audit services and experience in accounting in evaluating the companies going concern.

1.6 Summary of the Findings

The results of the current study indicate that auditors concentrated more on the increase of the audit fees, integration of the small audit firms, improvement of the social relations, and hiring and dismissing the auditor. In addition, preventing the consultant services by the external auditor in improving the auditor evaluation of the company going concern is one of the concerns.

Correlation analysis of four related variables under the auditing-related factors were shown positive and significantly related to the auditor evaluation of the company going concern ($p < 0.05$). On the other hand, one variable is negatively significant in relation to AECGC. However, the multiple regression results showed that the variables under the demographic factors were not a significant predictor of the auditor evaluation of the company going concern. The summary of findings is displayed as in Table 1.1.

Table 1.1
Summary of Findings

Study Objectives	Hypotheses	Unstandardized Coefficients B	Support at $p < 0.05$
1. To examine the relationship between the demographic factors and the auditor's evaluation of the company's going concern in Jordan.	H₁: There is a relationship between academic qualification and the auditor evaluation of the company going concern.	-.011	No
	H₂: There is a relationship between study major and the auditor evaluation of the company going concern.	.118	No

2. To examine the relationships between the auditing-related factors and the auditor evaluation of the company going concern.	H₃: There is a relationship between the experience in audit and the auditor evaluation of the company going concern.	.005	No
	H₄: There is a relationship between experience in accounting and the auditor evaluation of the company going concern.	.004	No
3. To examine the extent of demographic and auditing-related factors influencing the auditor evaluation of the company going concern.	H₅: There is relationship between auditor fees and the auditor evaluation of the company going concern.	.322	Yes
	H₆: There is a relationship in the social relations between the auditor and the management and his evaluation of the company's going concern.	.125	Yes
	H₇: There is a relationship between the company fraud and the auditor's evaluation of the company's going concern.	-	-
	H₈: There is a relationship between the consultant services and the auditor evaluation of the company' going concern.	-.089	Yes
	H₉: There is a relationship between hiring and dismissing the auditor and is evaluation of the company's going concern (AECGC).	.116	Yes

	H₁₀: There is a positive relationship between the audit firm size and the auditor evaluation of the company going concern.	.135	Yes
	H₁₁: There is a negative relationship between the Legal disputes and the auditor evaluation of the company's going concern.	-	-
	H₁₂: There is a negative relationship between the auditors' competition and the auditors' evaluation of the Company's going concern.	-	-

1.7 Organization of thesis

The organization of the study follows standard thesis format and the content of this document is organized into five chapters. Chapter 1 provides the background of the study, problem statement, research questions, research objectives, motivation of the study, contribution of the study, summary of the findings and organization of the remaining chapters.

Chapter 2 contains a literature review and a summary of previous research that are related to this study. The review presented in this chapter includes an overview, the concept and importance of auditing, auditor responsibilities, concept of going concern, external auditor in Jordan and his role towards auditing the public shareholding companies, the auditors' opinion regarding the going concern ability of the company and also the accountants act in Jordan . The researcher also identify the public shareholding company in Jordan, agency and accountability theory, previous

literature on external auditor evaluating on company going concern ability, annual reports analysis, and perception of the importance of the auditors' evaluation of the companies going concern. Measure of Effectiveness of the External Auditors Evaluation of the Company's Going Concern, Factors that influences on external auditor evaluating on company going concern ability are also discussed.

Chapter 3 describes the research model and methodology employed in the study. Hypothesis development, research design, sample and data collection, research instrument, operational definition and measurement of the variables and method of data analysis are also discussed in this chapter.

Chapter 4 presents an analysis and interpretation of the results of the study. This chapter discusses unsolicited as well as requested responses to the survey form and an interpretation of the statistical findings.

Finally, Chapter 5 summarises and discusses the major findings, implications and limitations of the study including a statement as to the conclusions reached. In addition, recommendations for further research are also included in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews relevant literature regarding: the concept and the importance of auditing, auditor responsibilities, concept of going concern, the role of the external auditor towards auditing the public shareholding companies going concern in Jordan, the accountants act in Jordan, compliance to laws and auditing standards, identify the public shareholding company in Jordan, agency and accountability theory. Previous literature on external auditor evaluating on company going concern ability, annual reports analysis, perception of the importance of the auditor's evaluation of the companies going concern. Measure of effectiveness of the external auditor's evaluation of the company's going concern, factors that influences on external auditor evaluating on company going concern ability are also discussed.

2.1 Background of Auditing in Jordan

Jordan is located in the Arab homeland and surrounded by four Arab countries; Saudi Arabia, Syria, Iraq and Palestin. The Jordanian economy relies on external subsidy and taxes from the Jordanian Companies. Even though King Abdullah of Jordan and the government support the issue of companies' going concern in increasing

investments in Jordan, the country is still facing problems with the companies' failure. Many previous studies referred clearly to this problem. They stated that the external auditors did not give an early warning about this failure (JACPA, 2003). Consequently, the government issued regulations and laws for accountants and external auditors and how they can get a license to practice this career as follows:

a. Those that have an accounting degree are to get auditor training as follows:

1. one-year training for PhD graduates.
2. two-year training for MA graduates.
3. three-year training for Bachelor graduates.
4. five-year training for Diploma graduates.

b. Career-Related to Majoring such as Economics, Management and Finance must have at least twenty four credit hours in accounting and get an auditor training as follows:

1. two-year training for PhD graduates.
2. three-year training for MA graduates.
3. four-year training for Bachelor graduates.

There are currently 51 auditing firms in Jordan classified according by previous studies as big and small firms. The six big auditing firms are the Al-Mohasiboon Al-Motahidoon, Ibrahim Al-Abassi Wa Shorakah, Almihanioon Al-Arab, Talal Abu Ghzaleh Wa Shorakah, Ghosheh Wa Shorakah and Saba Wa Shorakahom (Hummedat, 2002 and Matter, 1995.)

2.2 Auditing Concept

Audit can be defined as an analysis of financial statements and other information to prove their truth and fairness by a qualified person and issue a credible and useful opinion in his report. The opinion can be used by the financial statements users and make their investment decisions (Gray and Manson, 2000; and Hermanson and Strawser, 1993).

Further to that, there are four attitudes of auditing. First, auditing is a normal process based on logic and reasoning. It must be planned and conducted in a regular manner. Second, the auditor obtains and evaluates evidence. Evidence is collected by the auditor to make decisions related to the financial information presented by an entity. Third, the auditors must audit the financial statements that are prepared and presented in accordance with generally accepted accounting principles. Finally, the auditor gives the results of the audit to interested users of financial statements through his report.

2.3 The Importance of Auditing

Currently, there are four conditions why the business environment creates a demand for an independent audit. They are:

a. Disagreement of interest:

Users are concerned with the possibility of inadequacy in the financial statements; leading to probable disagreement between the user and the provider of the information.

b. Consequence:

When information is used to take decisions of significant consequence, users are concerned with the probability of biased, misleading, irrelevant, or incomplete information.

c. Complexity:

If the information was difficult and complex, users of information do not obtain direct assurance about the quality of the information received.

d. Remoteness:

When it is caused by a gap between the user of the information and the information source, it interrupts the user from directly assessing the quality of the information received. The above points are important to explain how to achieve an audit of the financial statements. The company's management is responsible for the contents and equity of the financial statement. While financial statement users desire substantial financial information to assist them in making economic decisions, the auditors provide to users assurances that the financial statement are accurate and fair (Hermanson and Strawser 1993).

The Jordanian government on the other hand focuses on financial statements audit through going-concern assumption to maintain a social and economic stability in Jordan. There were empirical studies, which focus on management representation in Australia made by auditors. In the Carey and Clarke (2001) study, 174 questionnaires were received of which 62% were completed by audit partners, 32% by audit managers, and 6% by other auditors. This study showed

that the Australian auditors place an over-reliance on management representation as evidence. In the case of going-concern scenario, 59% of non-big six auditors and 47% of big six auditors agree that they rely on management representation as audit evidence and regard it as important. A similar scenario can be expected to happen in Jordan. ISA 570 paragraph 26 shows that when events or conditions have been identified which may cast significant doubt on the entity's ability to continue as a going-concern, the auditor should:

- a. Review management's plan for future actions based on its going-concern assessment.
- b. Gather sufficient appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out procedures considered necessary, including considering the effect of any plans of management and other mitigating factors.

In conclusion, auditing the financial statements by the external auditor is important to the decisions makers. Therefore, the quality of auditing depends on the information given because the auditors provide the users with assurances that the financial statements are accurate and fair and if the company will continue its activities in the near future or not.

2.4 Auditors' Responsibilities

The auditor should evaluate the company's going concern for a period of time not exceeding one year starting from the date of the financial statements issuance (Guy and Carmichael, 2002).

The International Auditing and Assurance Standards Board (IAASB) and the American Institute of Certified Public Accountants (AICPA) have issued specific standards regarding going concern. These standards established, as part of professional standards, basic principles and essential procedures relevant to the auditor's responsibility to identify events and conditions that may be indicative of significant doubt regarding an entity's ability to continue as a going concern, the appropriate procedures to be performed when such events and conditions are identified and the impact of such events and conditions on the auditor's report.

To satisfy this objective, "In 1974, AICPA established an independent commission on Commission Auditor's Responsibilities (CAR) to consider responsibilities of independent auditors. The commission considered the expectation of the society and the auditor's ability to respond to these expectations." When the auditor depends on other specialists in financial statements audit, he still has to accept full responsibility for the audit opinion. He must also rely on the work of the internal auditor. If he does not take away any responsibility for the audit opinion, it is to the external auditor to judge the extent to which reliance should be placed upon the work of the internal auditor. This is stated in SAS 500. (3) as follows: "During the course of their planning, the external auditors should perform an assessment of the internal audit function if they consider that it may be possible and desirable to rely on certain

internal audit work in specific audit areas for the purpose of the external audit of the financial statements”. The internal audit departments should plan their audit work and complete it every financial year and the external auditor should arrange to meet the chief internal auditor to assess the audit. If the external auditor has any doubt about the work of the internal auditor, additional audit procedures should be performed (Gray and Manson, 2000).

2.5 The Concept of Going Concern

The financial statements are prepared on the assumption that the company will continue in existence in the near future. During the final review period, the auditor has to consider the validity of assuming that the company is a going concern and the going concern concept was a matter that would be considered by the auditor during the final review prior to preparing the audit report. However, the going concern assumption has been a restricted directive in the accounting literature, until SAS 34 (Statement on Auditing Standards 34) was issued in 1980. There were also few others in the auditing literature.

Therefore, the Auditing Standards Board (ASB) decision was necessary for replacing the SAS 34 due to a complaint requiring a provision of an adequate warning of impending failure by auditors. A new standard SAS 59 (Statement on Auditing Standards 59) was implemented to make an assessment on the ability to continue as going concern. Some accountants think this standard SAS 59 is confusing versus its predecessor SAS 34 (Guy and Carmichael, 2002, John Stephen).

In doing so, the going concern concept is one of the most important accounting concepts that have long been a tenet of financial accounting. It has been called an assumption, a basic fixture, and a postulate. It has usually been stated somewhat and it is willing to continue operation for the near future. It is also important to other related fields such as finance and management, though they might use different terms. Killough and Koh (1986; 1988) showed that evaluations of going concern status is difficult and the existing external auditing guidelines are adverse in terms of bankruptcy, continuity, liquidity problem, financial distress, insolvency and going-concern. Therefore, this has led some accounting researchers to conclude that in making going concern assessments the auditor is still very much on his own, having to rely virtually entirely on his subjective judgment and experience. The tools available for formulating a qualified going concern opinion are not adequate” (Zavgren, 1983).The researchers also have to sustain the use of objective statistical prediction models. Altman and McGough, (1974), focused on the idea that companies do not fail suddenly or in an unpredictable fashion, and they are the outgrowths of the bankruptcy prediction literature. In the same year, they have suggested that the models and methodologies used in bankruptcy prediction research could be applied to the prediction of going concern continuity. Thus, they studied six studies about prediction models regarding going concern. These studies are divided into two:

- i-The first are concerned with predicting the companies going concern status.
- ii-The second are concerned with predicting the auditors’ going concern qualification for companies with going concern problems. The external auditor can use statistical models to predict the going concern status of companies. The aims/uses of the models are as follows:

- 1- Models can provide objective and clear information to an auditor's subjective judgment in making going concern evaluations.
- 2- Models are important analytical tools; the external auditors use them when discussing problems with clients and recommending changes in the financial statements.
- 3- The external auditor can use these models to determine the type of audit opinion that is appropriate and his beginning of the audit. It is also useful for the investors and creditors for the prediction regarding their companies' going concern ability and for avoiding investment in a company that is predicted to have a low probability of going concern ability. While many have some thoughts on what is a going concern, so far, there is no clear definition of going-concern from the perspective of auditing standards in Jordan. Accounting standard also does not provide appropriate guidance regarding "when" it is not appropriate to assume going concern ability; not "what" is going concern. They also consider using ISA 570 rather than SAS 59. Auditors in Jordan are probably more conservative than US counterparts in rendering going-concern opinion; which is an interesting empirical question. If such case is true, then we could possibly see more going-concern opinion being issued in Jordan as compared to the UK and the USA.

To conclude, the assumption of going concern is important in financial accounting because the company will continue its activities without any problems in the future. The external auditor can use the report or prediction models such as Altman model to evaluate the companies going concern.

2.6 External Auditor in Jordan and his role towards Auditing in Public Shareholding Companies

In Jordan, independent public accountants act as external auditors to evaluate the fairness of the presentation of financial statements issued by a firm's management. If there are doubts about a company's going concern, he must take proper procedures to correct deviations, and give early warning to the management. However, he or she might take certain condition and events that contradict with the going concern assumption, such as the company inability to meet its payment obligations, selling of assets and inability of restructuring debt. In addition, the auditors should also reviewed management's plans related to company going concern (Venuti, 2004).

2.7 External Auditor Evaluation on the Going-Concern Ability.

The Auditing Practices Board (APB) in the United Kingdom and the Republic of Ireland was established in 1991 by the Consultative Committee of Accounting Bodies (CCAB). The APB pronouncement is to advance standards of auditing and provide a framework of practice for the exercise of the auditor's role. It has issued many Statements of Auditing Standards (SAS).

On the other hand, the Auditing Practices Committee (APC), which was established in 1976, has issued auditing standards and guidelines to improve the quality of auditing and reduce the probability of audit failure. By using these standards and guidelines and applied it can increase the users confidence on the audited company's financial information. This will also increase the value of auditing by complying with the reporting requirements. Auditing standard SAS 130 (Statement

on Auditing Standards 130) shows clearly the director's responsibilities in determining the company's going concern.

Therefore, the auditor's should have confident and more concerned about the use of the going concern basis; to which the company should be adequately disclosed in its financial statements. SAS 130 (paragraph 21) stated that the auditors should evaluate the adequacy of the means by which it is appropriate for the directors to adopt the going concern basis in preparing the financial statements. These statements should also include disclosures relating to going concern, which give true and fair view. The auditor must examine the financial statements in order to give his opinion about the company's going concern. Therefore, the auditor should plan and perform procedures to indicate the concern about the entity's ability to continue his work (Gray and Manson 2000).

Thus, Guy and Carmichael's (2002) study indicate the auditors' evaluation in case of substantial doubt about the entity's ability to continue as going concern within a period of time (not exceeding one year beyond the balance sheet data). They consider many auditing procedures that may identify conditions and events indicating a going-concern problem. In relation to that, the external auditor should be regard analytical procedures through using substantive test and in the planning and overall review stages of the audit, it should indicate such as (1) why negative trends happened in the company, (2) problems related to inventory such as slow movement, (3) receivable collectibles problems, (4) and financial problems related to liquidity and solvency.

In this respect, the auditor should have review and knowledge of subsequent events such as the bankruptcy of a major customer, contrary condition that figures in the balance sheet data. Also, there are other problems related to the company's going concern such as (1) collapse and drawback of the market price related to the inventory, (2) problems related to banks such as discontinuance of line of credit, and (3) expropriation or losses of some of the assets.

Moreover, the auditor's review and regard of compliance with the short-term and the long-term debt and loan agreements or commitments in debt default in addition to reviews and reading of the minutes of the meetings of stockholders, board of directors, and board committees may indicate to (1) the external auditor regards all of the potential expensive litigation, (2) regarding Loss of lines of credit by the banks or from others, (3) regarding loss of a major supplier by the external auditor's and their effects on the company's going concern (4) review on any changes in the operation of the business due to significant losses.

In fact, the external auditor must inquire of legal counsel about any claims, contract violations, copyright or patent infringement, and evaluate possible significant losses and illegal acts. Besides that, confirmations regarding financial support that relates to bank credit or loss of third- party guarantees of entity indebtedness.

Thus, there are also indications of going-concern problems that need to be regarded by the external auditor such as: (i) Negative trends that have effects on company's going concern. It includes the following (a) declining sales of the company, (b)

increasing costs, (c) operating losses, (d) working capital deficiencies, (e) negative cash flows from operations, (f) adverse key financial ratios.

In relation to that, another important indication should be considered such as (ii) Internal matters related to company. It includes the following (a) chaotic and inefficient accounting system related to company works, (b) loss of key management or operations personnel, (c) substantial dependence on the success of particular projects, (d) work stoppages of the company or other labor difficulties, (e) uneconomic long-term commitments, (f) need to significantly revise operations.

Guy and Carmichael's (2002) pointed out a third indication related to company going concern such as (iii) External events that have occurred. This indication include the following items (a) legal proceedings related to the company's works, (b) legislation or similar matters that might jeopardize operating ability, (c) loss of a key franchise, license, or patent, (d) loss of a principal customer or supplier, (e) uninsured disasters or catastrophes such as drought, earthquake, or flood. Besides that, there is vital indication such as (iv) Possible financial difficulties. It includes the following items (a) default on loan or similar agreements by companies, (b) arrearages in dividends, (c) refused of usual trade credit from suppliers, (d) noncompliance with statutory capital requirements, and (e) seeking new sources or methods of financing.

Hence, ISA 570 statements clearly explained in paragraph 26 that when events or conditions have been identified; these may cast significant doubts on the entity's ability to continue as going-concern. In such an eventuality, the auditor should:

- a. review managements plan for future actions based on its going-concern assessment;
- b. gather sufficient appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out procedures considered necessary, including considering the effect of any plans of management and other mitigating factors.

So the above stipulation is not strange to Jordan. Similar conditions exist in the US (SAS 59), the UK (APB 130) and Australia (AUS 708). However, there are marked differences on how these plans affect an auditor's decision on going-concern issues. In the US, plans if viable may directly affect an auditor's decision whereby in Jordan it is still not clear how management plans would affect auditor's decision.

Therefore, this research considered the role of the external auditor in evaluating the ability of going concern in the public shareholding companies in Jordan. In addition to that, Kinny (1987) added other indications known as early indications as follows:

- Fall of profits for several periods
- Inability to compete with imported products or local products.
- Weakness in financial position of company as depending on loans like loan for short-time less current asset and liquidity rate
- Weakness of control on working capital, as it affects the size and value of sales
- Lack of knowledge of activities within the company.
- Weakness in procedures or accounting policies leading to the use of capital reserves in huge amounts to face the previous year's losses.

- Late preparation of final accounting and weakness of financial disclosure.
- Non-committal of agreements on loans and bonds especially reservations which are related to percentage of credit and the size of working capital reserve.
- Increase in admissions rescheduling the commitments in the banks and other creditors.
- Decrease in percentage of activity and production.

In that case, the external auditor will have to use certain audit procedures in his evaluation on the company's going-concern ability (Guy and Carmichael, 2002). In relation to that, the following are the audit procedures that external auditor must follow regarding his evaluation on company's going-concern ability as stated by ISA No. 570:

- Analysis and discussion of cash flow, and future expectation with the administration of the company.
- Analysis and discussion with the management regarding the periodically financial statement.
- Review important events after the date of general budget, profits and losses in order to obtain matters affecting the company's going concern ability.
- Review the conditions of bonds and loans agreement.
- Review the shareholders conference report and administration council and other committees for related to problems faced by the company.

- Demand of legal information concerning litigations against the company requested by the legal office.
- Evaluation of the company's situation through admissions offered from agents.
- Discussions related to the company strength and weaken.

In this matter, Goldstein (1989) indicates that SAS 59 reiterates a variety of management's plans, which might alleviate suspicions about the companies going concern. Such plans may include: (i) Plans for disposed of assets, (ii) Plans for new borrowing or debt restructuring, (iii) Plans to increase ownership, (iv) Financial information prospective in the form of forecasts, and (v) Projections or operational restructuring plans.

Constructing a memo concerning the going concern evaluation would also help document the evaluation. This type of memo should include the following:

1. Description of pertinent conditions and events giving rise to the assessment.
2. Discussion the possible effects of these conditions and events.
3. A synopsis of management's evaluation and summarization of any mitigating factors.
4. Highlights of discontinuances of operations.
5. Description of management's plans.

6. Discussion of information about the recoverability and classification of assets and liabilities.

On the other hand, in 1984, Mutchler suggested that there are two stages involved in resolving going-concern condition. In the first stage, the auditor seeks for indicators of substantial condition regarding company's going-concern status. At the second stage, the auditor decides whether going-concern opinion is appropriate based on the available indicators. Not to long ago, AL-Basheer (2003) showed in his study that auditor should perform certain procedures when he finds any doubts about the going concern of the company to overcome those doubts. By using these procedures, the auditor can evaluate the going concern of the company by utilizing all the information needed to accomplish his mission. The shareholders will also be satisfied regarding the future of the company concerned. However, if the company does not provide the necessary information, the auditor must report to the management of the company.

Hence, AL-Basheer advice that external auditors should do their job in accordance with the international standards, rules and regulations, which maintain the role and ability of the auditor to evaluate the going concern of the company to keep the rights of the shareholders, workers, suppliers, treasury and all concerned.

Additionally, Stephen's (1990) aim to study what the American Institute for Accountants had recommended. It recommended that accountant had to perform a positive role in the going concern evaluation and to make sure, if there are any doubts about the future of the company for a logical period; one-year starting from the date of the issuing the audited financial statements. He added that the decision of the auditor concerning the going concern is a difficult task in auditing since the

auditor's report may lead to some expectations by the investors. For example, the decrease in the stock prices may be related to the reservations with the possible issues in the auditors report, Stephen also explain that there are three models to be used in the going concern evaluation; the statistic, conduct and experts systems.

Obviously, Hamden's (1996), amid to know if the external auditor in the shareholder companies does certain procedures that can discover any financial failure possibility since the auditor's responsibility is to be aware of that danger. He also aimed to know the reasons for that failure and whether the auditor had reserved the results of auditing because of the indications of the financial hardships by surveying sample auditors' reports in Jordan. Hamden tested the necessary procedures to discover the possibility for failure. He also tested the analytical revision procedures and used failure predicting models to make sure that auditors follow the quality control procedures. The study showed that:

1. There is little trend to follow the necessary procedures to discover any failure by respondents.
2. The auditor does the financial and analytical procedures to discover any hardships although those procedures go under his professional job.
3. The auditor does not use the failure prediction models in companies.

In doing so, going concern is one of the most important concepts underlying financial reporting. This concept directly affects the financial statements. For instance if the company fails, the assets of the company would need to be valued on different basis from that of historical cost. The company may face some problems such as problems in fixed assets and current assets or with debtors. There are other

problems related to the company's going concern according to the international auditing standards. Nevertheless, the auditor must report any problem in his report and give an early warning to the management about any probable failure (Badawi, 2004; Jabou and Aby Mu'amar, 2005).

In fact, Gray and Manson (2000) also stressed that if the company subsequently fails, the stakeholders in general and users of financial statements in particular may readily ask the question why they were not forewarned regarding the potential failure of the company. The auditor had indeed received criticism when a company failed and there had been no indication in its annual report by either the directors or the auditors that the company had any going concern problem. If there is/are problem(s) regarding the company's going-concern ability, the auditor should disclosed in his audit report by including an explanatory paragraph (following the opinion paragraph) or disclaim an opinion as stated by ISA No. 570. The auditor's conclusion should be expressed in the report using the terms "basis doubt and going concern". The following is an example of an explanatory paragraph regarding the going concern ability:

"The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note X to the financial statements, the company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note X. The financial statements do not

include any adjustment that might result from the outcome of this uncertainty” (Guy, Carmichael, 2002).

Therefore, ISA No.570 requires the inclusion of paragraph in the auditor’s report when appropriate going concern disclosures are made in the financial statements. This is based on the premise that the going concern assumption is so fundamental to the preparation of financial statements when there is significant problem raised on the appropriateness of the assumption. Edwards (1993) in his study asked the auditors how they make their decisions if there is substantial doubt about the company’s client ability to continue as going-concern. Are the auditors going to modify their audit reports? The case was evaluated on an eleven-point scale. A strongly negative rating (-5) would support a decision to include an explanatory paragraph about continuity in the audit report, a rating of “0” would indicate neutrality, and a strongly positive rating (+5) would imply that an explanatory paragraph is unnecessary. When the auditor decide to modify his report, he will add the explanatory paragraph such as loss of operations in the current year, the continued availability of trade credit, a potential liability from litigation, the possibility of losing a major customer, the potential sale of a patent and a current ratio that is approaching the limit set in a loan agreement. Therefore, the auditor might logically be cautious and more sensitive to factors pointing toward a going-concern problem in the future. In 2001, twelve publicly traded companies in U.S received an unqualified opinion on their most recent financial statements filed prior to the bankruptcy filing. None of the audit opinions included an explanatory paragraph reflecting the auditor’s substantial doubt about the entity’s ability to continue as a going-concern (Venuti, 2004).

Yet, ISA No. 570 had discussed going concern problems as follows:

- a. The company's inability to negotiate with the banks regarding its loan.
- b. Accounting statement is misled and affects the company is going concern.
- c. The company is not taking necessary procedures for reducing negative indications that affect its going concern (IFAC 1999). SAS 58 was (Statement on Auditing Standards 58) issued to make a simpler report language so users can understand this report. In this case, SAS 59 (Statement on Auditing Standards 59) in related to auditors' opinions are no longer phrased. It is only when the auditor believes the disclosures are inadequate that there should be an adverse or qualified opinion in the auditor's report. Consequently, the user should be informed by the auditor disclosure about the conditions in the financial statements (Goldstin, 1989). Thus, the auditor's report about the going concern might be confusing to its users, and might lead to incorrect predictions by those users. The researcher depended on what the international standards had determined judgment procedures on the companies going concern ability (Lutfy, 1995).

According to Epstein and Geiger (1994), there was a gap in the prediction. There was a difference between the predictions of the financial report users on the opinion of the auditor. Because of this, the auditor became the target by the investors, creditors and banks in case of company's bankruptcy by taking a legal action on the auditor.

In another study, Mitwally (1993) showed that the reasons of that gap could be attributed to the will of users to be certain of the accuracy of the financial statements and the auditors' opinion especially in case of the companies' failure without an

early warning in addition to the ambiguity in the auditor's report. Besides that, Citron and Taffler (1992) found that the average of reservation in the report of auditor on the financial statements regarding the failure companies in Britain in ten years did not exceed 26.2% from the total number of companies. Meanwhile, it was clear that most of the companies had reservations concerning their companies' activities. As a result, the auditing career continued to be criticized since the auditor did not give any early warning to the users that the company was about to fail. In addition, there were also inquiries regarding how the company received a clean report and then collapsed the next day of the report (Raghunandan and Rama 1992).

Therefore, in this case, and in light of the economic difficulties, it became very important that the auditor had a predicting role to judge the going concern ability of the company to guarantee his honesty and justice and support the confidence of those concerned about that opinion. This is very important especially to those who expect the auditor's report to report a guarantee true and fair view of the company's financial statements and also giving an early warning about the failure of the company (Barry and Meling, 1994).

Standard 570 showed some directives about the responsibilities of the auditor in auditing the financial statements. When the auditor notices any indications about the going concern ability of the company even through the financial statements or any other sources, the auditor has to collect evidences to ensure or negate his notices about the going concern of the company in the near future, which does not exceed one year from the date of reporting the budget. The auditor has to do additional procedures. He has to discuss with the company's management its plans concerning

the future procedures, which are expected to lead to the improvement of the situation such as the closeout of some assets, repayment of debts, decreasing expenses or increasing the capital. The auditor has to get some confirmations that those plans are beneficial and can be executed and resulted to the improvement of the situation. He also has to get a written consent from the management concerning those plans. After the auditor performs the necessary procedures as stated by the auditing standards, in addition to getting all the information, he also has to determine if he had reached satisfactory information about the going concern. The auditor will then make his conclusion regarding the level of clarity in the financial statements about those problems.

Consequently, IAC showed that auditor has to take into consideration the suitability of the going concern when planning and preparing the procedures of auditing and evaluating results. The report of the auditor has to include the results in his report through unqualified opinion or to issue an opposite report since his report assists in maintaining the credibility of the financial statements. Therefore, the auditor has to collect satisfactory evidences to evaluate the going concern (Conner, 1986).

To satisfy this objective, the recommended SAS No.59 issued by the American Auditor Institute stated that the auditor has performed a positive and effective role in finding the evidences concerning the going concern of companies. It stated that the auditor has to adjust his report if he has any negative indications about the going concern ability of the company for one year from the date of preparing the financial statements. In fact, his opinion may take one of the following forms (IFAC, 1999):

1. Unqualified opinion (clean): Auditor gives his opinion in the following cases:

- a. If the result of the test and other necessary procedures he followed showed that, the going concern the financial statements based on, is still correct.
- b. The absence of conditions that require clarification paragraphs in the report concerning any doubts on the going concern of the company.
- c. If he notices that, the management of the company performs the necessary procedures to remove any doubt about the going concern and shows in its financial statements clearly.
- d. If any minor doubt about the going concern appears but not mentioned.

2. Qualified opinion (not clean). The auditor gives this opinion in the following cases:

- a. If it appears that, the management of the company did the necessary procedures to remove any doubts about the going concern but did not show that clearly in its financial statements.
- b. If the auditor is convinced that there are conditions that may refer to any doubts about the going concern ability of the company, depending on the procedures he did.

3. Negative opinion (adversary). He gives this opinion in the following cases:

- a. If the management of the company does not do the necessary procedures to decrease the negative indications regarding the going

concern inability of the company and the effects of those indications is relatively big.

- b. If the auditor finds that the administration of the company had performed the necessary procedures in accordance with the going concern.
- c. If it appears that the administration of the company performed the necessary procedures to remove the doubts about the going concern but did not show that in its financial statements.
- d. If he is convinced that the company is unable to continue its activities what ever done, depending on the procedures he performed.

4. The disclaimer of giving an opinion. The auditor is conservative to give an opinion in the following cases:

- a. If the management of the company does not cooperate with the auditor to evaluate the going concern
- b. If the auditor is unable to give an opinion about the financial statements because of the difficulty in giving that information as a result of many essential issues that affect the financial statements and the going concern
- c. The auditor is not independent to get the necessary information to give his opinion. In this case, the auditor has to discuss all the indications, conditions and doubts about the going concern of the company with its management or the auditing council and board of

directors in order to make certain that there will not be any hidden information concerning the company.

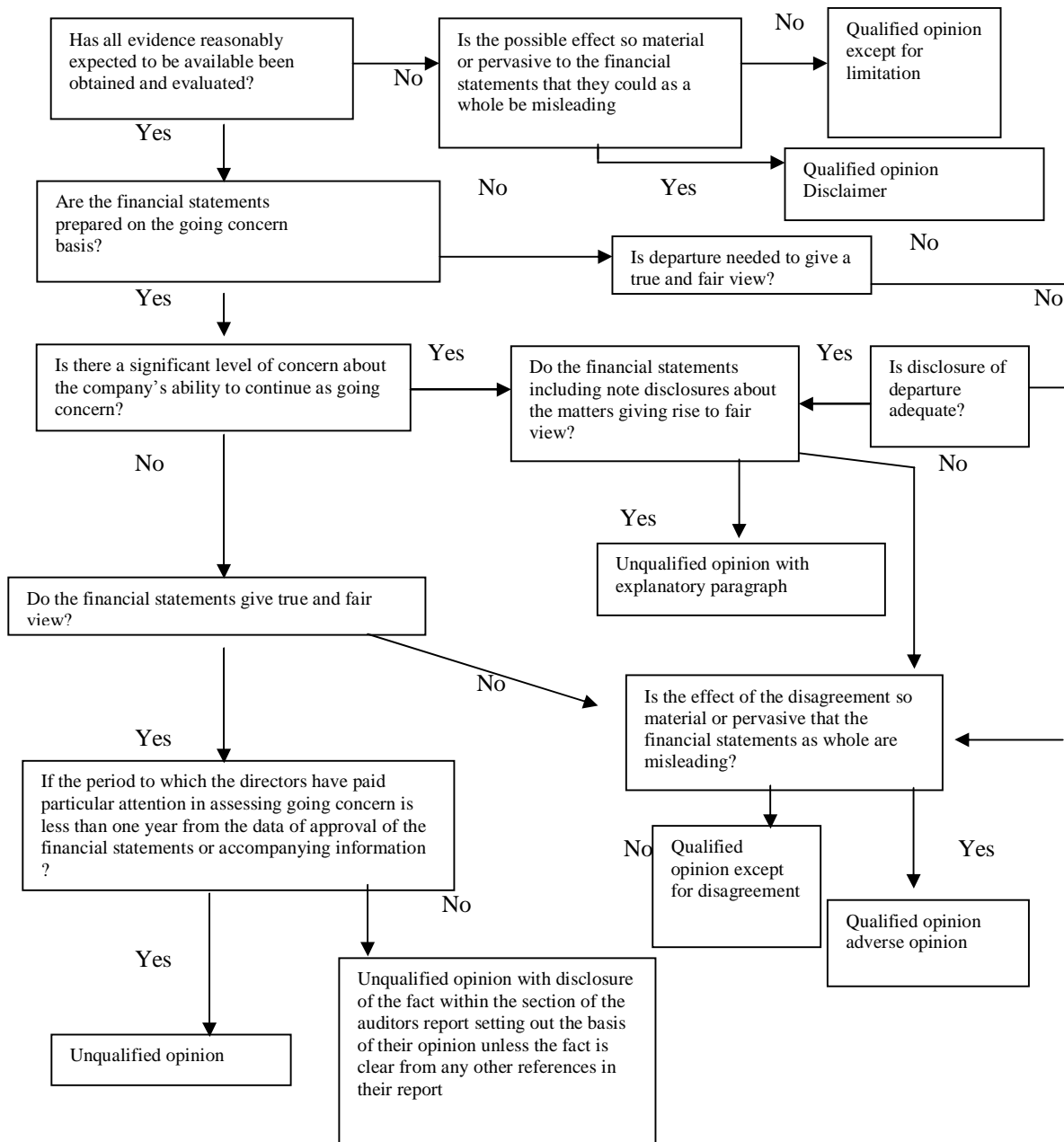
On the other hand, the external auditor provides the financial statement to users. It consists of all-important financial information of his financial report and opinion about the company's going concern ability and its ability to achieve objectives and plans. Finally, it gives an early warning to any expected failure or any bias. In short, there are three key aspects concerning the auditor's role in the financial reporting process (Hermanson and Strawser, 1993). There are as follows:

1. The auditor tests the entity's financial statements to make sure information asserted by management in those statements is true.
2. The external auditor is responsible for ensuring that the company's financial statements are prepared in conformity with standards accepted by users.
3. The external auditor communicates findings to users through an audit report (audit opinion). This communication is accomplished by the auditors' report to evaluate the financial statements prepared by management according to generally accepted accounting principles. The auditor also gives his opinion about company going concern ability.

If there is no doubt about a company's going concern, under Statement on Auditing Standards 130 (SAS 130), the auditors will have to specifically refer to the going concern aspect in the financial statements or audit report. If there are also considerable doubts about a company's going concern, the auditors will consider if additional disclosures are required in the financial statements. The auditors should include an explanatory paragraph on the going concern problems, referring to the

non-disclosure of the audit report and give a true and fair view. If there are doubts about going concern ability, the auditor agrees that the use of the going concern basis in preparing the financial statements is still appropriate. A flowchart appearing in Table 2.1 of SAS130 on the going concern basis in the Financial Statements is reproduced.

Table 2.1
SAS 130: The Going Concern Basis in the Financial Statements



Source: SAS 130, Auditing Practices Board (APB), 2001

In conclusion, there are many auditing standards and guidelines to improve the auditing quality and reduce the probability of audit failure. Therefore, the auditor is

responsible for the evaluation of the company's going concern under the ISA No.570 and providing confidence to the financial statements users. In this respect, to keep the rights of the shareholders, workers, suppliers, treasury and all the sides concerned, this research studied the role of the external auditor in evaluating the ability of going concern in the public shareholding companies in Jordan. Furthermore, the auditor must present any problems occurred in his report and give an early warning to the management about any probable failure in addition to explanatory paragraph about the going concern problems in his report and give a true and fair view.

2.8 Annual Reports Analysis

The researcher analyzed some of the failure Jordanian public shareholding companies' reports issued by external auditors for the years preceding failure. The researcher wanted to execute the auditors' going concern evaluation and if the reports contained an explanatory paragraph related to the going concern, in addition to solving the problem statement. (The researcher received those reports from the Jordanian Ministry of Industry and Commerce). The results of the analysis were as follows:

Table 2.2
Result of the annual reports analysis

No	Public Listed Companies	First year	Second year	Third year	Fourth year	Fifth year
1.	The Jordanian paper Industry Referred to the going concern	1967 No	1968 No	1969 No	1970 No	1971 No
2.	The Jordanian factories candy , chocolate Referred to the going concern	1997 No	1998 No	1999 No	2000 No	2001 No

3.	Jordanian Auto bakeries Referred to the going concern	1985 No	1986 No	1987 No	1988 No	1989 No
4.	Jordanian Machinery and Electrical and Industries Referred to the going concern	1976 No	1977 No	1978 No	1979 No	1980 No
5.	Carton and Paper Commerce Referred to the going concern	1968 No	1967 No	1968 No	1969 No	1970 Yes
6.	People's House for Press, Publishment, Printing and Distribution Referred to the going concern	1993 No	1994 No	1995 No	1996 No	1997 Yes
7.	Arabic Investment and Development Referred to the going concern	1982 No	1983 No	1984 No	1985 No	1986 No
8.	Jordanian Brick Referred to the going concern	1986 No	1987 No	1988 No	1989 Yes	1990 Yes
9.	Diamond Industry for Blades Referred to the going concern	1987 No	1988 No	1989 No	1990 No	1991 No
10.	The East for Dry Batteries Industry Referred to the going concern	1988 No	1989 No	1990 No	1991 No	1992 No
11.	The Jordanian for Wood Production and Industry Referred to the going concern	1996 No	1997 No	1998 No	1999 No	2000 No
12.	The Jordanian for Clothing Industry Referred to the going concern	1999 No	2000 No	2001 No	2002 No	2003 No
13.	The Jordanian Company for Aluminum Clips Referred to the going concern	1994 No	1995 No	1996 No	1997 No	1998 No

14.	Chemical Fertilizer Industry	1982	1983	1984	1985	1986
	Referred to the going concern	No	No	No	No	No
15.	Mediator Petrochemical Industry	2000	2001	2002	2003	2004
	Referred to the going concern	No	No	No	No	Yes
16.	The West Cement	1979	1980	1981	1982	1983
	Referred to the going concern	No	No	No	No	No
17.	The National for Variable Industry	1990	1991	1992	1993	1994
	Referred to the going concern	No	No	No	No	No
18.	The National for Engineering Industry	1990	1991	1992	1993	1994
	Referred to the going concern	No	No	No	No	No
19.	Al Razi for Medical Industry	1998	1999	2000	2001	2002
	Referred to the going concern	No	No	No	Yes	Yes
20.	The Developed Medication Industry	1999	2000	2001	2002	2003
	Referred to the going concern	No	No	No	No	No
21.	Mineral Investment	1999	2000	2001	2002	2003
	Referred to the going concern	No	No	No	No	No
22.	Jordanian International for Industry	2001	2002	2003	2004	2005
	Referred to the going concern	No	No	No	Yes	Yes
23.	Ala Aldeen Industry	1997	1998	1999	2000	2001
	Referred to the going concern	No	No	No	No	No
24.	The Jordan for the Dead Sea Industry	1996	1997	1998	1999	2000
	Referred to the going concern	No	No	No	No	No
25.	The Jordanian Glass Factories Company	1990	1991	1992	1993	1994
	Referred to the going concern	Yes	Yes	Yes	Yes	Yes

26.	Glocozeanl Food Industry	1994	1995	1996	1997	1998
	Referred to the going concern	No	No	No	No	No
27.	Al-Mafraq for Food Industry	1995	1996	1997	1998	1999
	Referred to the going concern	No	No	No	No	No
28.	Pure Salt Company	1996	1997	1998	1999	2000
	Referred to the going concern	No	No	No	No	No
29.	Al-Naizaq for Boat and Equipment Industrial	1996	1997	1998	1999	2000
	Referred to the going concern	No	No	No	No	Yes
30.	The International Company for the Industrial, Commercial and Tourist Investment	1996	1997	1998	1999	2000
	Referred to the going concern	No	No	No	No	No
31.	Al-Kawthar Company for Investment	1997	1998	1999	2000	2001
	Referred to the going concern	No	No	No	No	No
32.	Domestic and Livestock Company	1996	1997	1998	1999	2000
	Referred to the going concern	No	No	No	No	Yes

By analyzing the last five years auditors' reports of the failure companies, showed that the auditors referred to the accumulative losses, which are considered as financial indications under the ISA No. 570. Therefore, the auditor had to be more comprehensive in evaluating the company's going concern. The auditors did referred to the big deficit in the capital of those companies, but did not refer clearly to what threatened the companies going concern in the years preceding the elimination and the effect of the financial distress on the going concern in any of the those years.

2.9 The Accountant's Act in Jordan

The auditors offer confidence and credibility to financial statement users and to accounts of organizations, in order for them to make decisions about their investments in a company. According to an auditor's opinion about the going concern of the company's, if an auditor has given a clean opinion on a set of accounts which turns out subsequently not to be true and fairview, a user who loses as a result of reliance on those accounts may well feel that the auditor is one of the faulty persons. Therefore, the auditors' liability must be under civil law, thus, the auditor should give an opinion rather than a guarantee. The financial statement users relying upon the accounts may sue the auditor for damages to compensate them for any loss they have suffered as a result of the negligent work by the auditor.

2.10 Compliance to Law and Auditing Standard

The Jordanian Law of Career of Accounting No. 73 (2003), Law of Jordanian Companies No. 22 (1997), Law of Jordanian Banks and Jordan Securities Commission Law No. 76(2002) issued the following:

- a. Application of the international accounting and auditing standards defending the Jordanian economy.
- b. Checking of the accounts and financial statements expressing opinion by auditors.
- c. The following shall be regarded as violation of provisions of these laws:
 - (i) Submitting false or misleading data in any document filed with the commission.

(ii) Certification by an auditor or accountant regarding false or misleading financial statements or Statements, which are in violation of adopted accounting and auditing standards. In such case, the accountant or auditor, as the case might be, shall be liable for damages to any party suffering financial loss because of such false or misleading financial statements.

2.10.1. The legislation limitations

The different legislations of rules and regulations related to auditing determined the responsibility of the auditor towards the organization and its future. The companies' law was the most comprehensive in determining those responsibilities, but did not determine his rights such as: the auditing fees and their suitability to the responsibilities. The Jordanian legislation gave the auditor full responsibility on the financial statements he audits. The company's law stated that the auditor is the representative of the shareholders according to the ISA No.570. In relation to that, the role of auditors is very important in evaluating the going concern ability of companies. Thus, Al Basheer (2003) discussed about the Jordanian company's law, Statements No. 192-203 about the auditor and his responsibilities and his role in the going concern ability of the company. In Statement No. 193, the legislation determined the duties of the auditors, which are:

- a. Controlling the performance of the organization.
- b. Auditing the organization's accounts according to the auditing rules, career requirements, the scientific and technical basis.
- c. Checking the administrative and financial systems of the company.
- d. Checking the company's assets and the accuracy of its commitments.
- e. Reviewing the decisions of the board of directors.

f. Any other duties the auditor has to do under this law and the law of auditing and any other related rule or regulation.

Thus, the Statement No. 195 stated that auditor has to get all the necessary information for his job, in addition to the company's original and well-prepared accounts. The procedures of auditing will be the basis for his opinion regarding the financial statements. Those statements have to be consistent with the files and registers in addition to be legal and clear from any violations. Statement No. 197 states the legislation prohibited the auditor from being a partner in a public shareholding company he is auditing or a member of its board of directors or involved in any consultant service. He must not also be a partner with any member of the board of directors or works for him. The Company's Law No. 73 also talk about the duties and rights of the auditor in attending the meetings of the general staff when discussing his report, since the auditor is considered the representative of the shareholders. Those statements also oblige the auditor to inform the chief of the board of directors, customer and the stock market about any violations in the company. Statement No. 201 states that the auditor has to compensate the company for any shortcoming or unsatisfactory job that affects the going concern of that company.

In this matter, Al-Basheer (2003) emphasize that those litigations and prohibitions make the external auditor the strongest and important party in the evaluation of the company's going concern. Consequently, the role of the auditor is great and comprehensive. He is the one who can determine if the company is running well or not. Al-Basheer proved that in reality it is different. The role of the auditor does not

include his rights on the auditing fees. AL-Basheer also showed the importance of the ISA No. 570. When the going concern is at risk, the auditor must consider the financial and working indications, which could affect the going concern of the company. Therefore, the auditor must take into consideration the going concern of the company when planning and achieving the procedures of auditing and when evaluating their results according to ISA No. 570.

2.10.2. Roles of the Auditors Regarding Company's Going Concern and Auditing and Accounting Standards Relevant to the Company's Going Concern

The external auditor in Jordan should regard the standards issued by international accounting and auditing standards such as ISA No. 570. In addition, to compliance to Jordanian laws and regulations (Jordanian company's law No. 22 (1997) and the law of career of accounting No. 73 (2003)) in evaluating the company's going concern, the following procedures and matters should also be regarded:

2.10.2.1 Auditing and Accounting Standards Relevant to the Going Concern.

The Auditing Standard Board (ASB) has issued in January 1, 1989, Standards No. 59, to replace SAS No. 34. According to SAS No. 34, an auditor gives the opinion related to the entity's going concern ability compared to the new standard, which goes a long way towards addressing concerns not dealing with qualification by the prior standard. The practitioners have many questions after issuing Standard No. 59 such as how to execute the new guidelines, how to document that fulfillment, why CPA is concerned about this standard and why ASB issued Standard No. 59. There are others questions about the auditor's responsibility for evaluating a client's ability to continue in existence. This can be seen when some companies failed shortly after

the issuance of the auditor's report. The auditors report did not even mention the possibility that the company might not continue its activities. The new standard decided that auditors needed to have more support works. So, when doubts arise as to indications about the going concern assumption, CPA reporting responsibility is considered the best. Some practitioners are dissatisfied and confused about their responsibility under SAS No.59, against SAS No.34. SAS No. 59 shows the evaluation procedures and audit objectives related to conditions and events that indicate a substantial doubt about company's going concern.

Many accountants do not understand the conditions under which a favorable evaluation of management plans by the auditor as described in SAS No. 59. It may take a long time to prepare the working papers and in some cases, disclose the notes to financial statements (Goldstein, 1989).

There are three noteworthy changes from SAS No. 34 to SAS No. 59. There are as follows:

Table 2.3
Changes from SAS No. 34 to SAS No. 59

SAS No. 34	SAS No. 59
<ul style="list-style-type: none"> • SAS No.34 required from auditors to consider going concern just when the indications about company going concern appear. • SAS No. 34 required a qualified audit report in case of uncertainty regarding the recoverability of assets and the classification of liabilities. • SAS No. 34 merely required a qualified “subject to” opinion” 	<ul style="list-style-type: none"> • SAS No.59, paragraph 5, does not specified additional audit procedure s about company going concern. It just requires the auditors to consider going concern assumption status for every audit work. • In SAS No. 59, if the auditor observes any substantial problems or indications of doubts about the company going concern, this standard requires the auditor modify of the audit report • SAS 59 requires the auditor to add an explanatory paragraph in his report about the substantial doubt

Therefore, the change from SAS No. 34 to SAS No. 59 is not a requirement of additional audit procedures, but rather a requirement of going concern consideration in every audit (Jodi and Bell, 2006). Furthermore, in the USA, the changing of SAS No. 34 to SAS No.59 about going-concern is controversial. This contention comes from continual auditor’s perception through checking of financial statements for reliableness. In addition, Holder-Webb and Wilkens (2000) do find that going concern references under SAS No. 59 are more accurate than similar reports under

SAS No. 34. The inconclusiveness of the results may be due in part to differing macroeconomic conditions between the periods to which the standards apply.

Furthermore, the conditions engendered by the highly publicized business failures which preceded the issuance of the so called “expectation gap”. AICPA (1988) superseded the guidance of SAS No. 34. The essential differences between these standards were that prior to 1988, a firm was presumed to be a going concern “in the absence of evidence to the contrary.” Firms which had going concern issues in the judgment of the auditor generally received “subject to” qualified opinions.

Nevertheless, the new standards issued in 1988, sometimes referred to as “expectation gap” standards, required the auditor to actively test the going concern assumption for each client (SAS No. 59). SAS No. 58 removed the “subject to” qualified opinion if a firm was judged to have going concern issues, however, in its place the auditor was to include an explanatory paragraph (“emphasis of a matter”) using the specific terms “substantial doubt” and “continue in existence.” So the auditor’s going concern opinions have been a popular subject in accounting and auditing research. During the annual audit program, the external auditor should review the audit standards related to the company going concern; refer to these standards in the accounting report and compliance with the laws of the country and applicable audit regulations (Johnson .Bin Abdulah, 2006).

Further to that, in 1981, the American Institute of Certified Public Accountants (AICPA) issued the going-concern status through SAS 34: the “Auditor's Considerations about an Entity's Continued Existence”. In 1988, AICPA issued SAS

No. 59. “Auditor's Consideration of an Entity's Ability to Continue as a Going Concern,” which are used as the authoritative guidance. However, there is proof suggesting that the going concern opinion lacks significant informative value. SAS No. 59 increased the auditor’s responsibilities to evaluate the going concern assumption, and analytical procedures that may identify conditions indicative of possible substantial doubt about company ability to continue as a going concern. SAS No. 59 is the current authoritative guidance available to help auditors evaluate the going concern of the companies. This standard requires auditors to take an active role in their evaluation of company ability to continue as a going concern. Conversely, a survey done found that the majority of respondents auditors consider current standards sufficient (AICPA, 1988). Auditors believe that going concern evaluation demands momentous judgment and that each case must be reviewed on an individual basis. SAS No. 34 provides little guidance on when the auditor should consider modifying the audit opinion based on ambiguous data that the entity could continue as a going concern. SAS No.34 was issued in response to the preponderance of cases where the auditor's judgment was called into question after a business failure. SAS No.34 considers the following cases:

- a. Paragraph 3 requires management's plans when evidence of audit procedures suggested there may be a question as to the company's ability to continue as a going concern.
- b. According to paragraph 4, contrary information includes negative cash flow from operations, recurring operating losses, debt default, loss of key personnel, and litigation.

- c. Paragraph 5 presents mitigating factors that may offset the effects of contrary information, including the ability to dispose of assets, the availability of sources for borrowing or capital, and the capability to reduce expenses or delay expenditures.
- d. Paragraphs 7 and 8 require auditors to consider contrary information and mitigating factors,
- e. Paragraph 9 requires auditors to review management's response to the contrary information (plans for asset disposal, borrowing, or delay of expenditures) and to evaluate the effects and feasibility of the plans. Based on this evaluation, the auditor must judge the appropriateness of modifying the audit opinion to indicate any uncertainty about the entity's going concern status (paragraph 11) (John Stephen, AICPA 1981,AICPA 1988).

2.10.2.2 Jordan's Auditing and Accounting Standards with Regards to Going Concern Rules and Regulations

Jordanian auditing follow closely the standards issued by International Accounting and Auditing Standards to test financial statements by auditors such as Standard No. 570 related to "Company's Going Concern for Safe National Economy". The public shareholding companies apply accounting and auditing standards according to the economic and political environment based on the laws of the company. For example, the "Jordanian Association of Certified Public Accountants" (JACPA) depends on the International Standards such as the Planning Standard No. 300 as the auditing standards. An applied ISA No. 570 was issued for auditing in company's going concern. This standard (ISA 570), prescribes that auditors should consider the

appropriateness of clients' going-concern assumption in every engagement. However, this is not to dictate that auditor should develop special procedures to detect the going-concern problem. The standard prescribes that auditors should remain alert to events or conditions that may cast doubt on the going-concern assumption. This standard depends on the nature and disclosure of substantial on going concern problem, allocating to auditors the emphasis of the matter, a qualified opinion, or a disclaimer. ISA No. 570 is seen to fill the gap between auditors and clients with regard to going-concern assumption and these are indeed very timely during Jordan financial crisis in 1980s.

2.10.2.2.1 Law and Regulation

There is another relevant standard, SAS No. 120, which was issued in 2000. Its stressed on the consideration of law and regulations directly related to items in the financial statements. The auditor is required to obtain audit evidence that a client has complied with law and regulation. These law and regulations are contained in certain companies act sections and provide a legal framework within which the entity conducts its business. They are central to the entity's ability to conduct its business and hence to its financial statements (SAS 120, paragraph 28). These obligations include:

1. Acquisition of an understanding of the laws and regulations relating to the entity and industry in determining what the entity does to ensure its compliance with the law and regulations.
2. Inspection of any correspondence with relevant authorities.

3. Discussion with management if they are aware of any non-compliance with law and regulations.

4. Acquisition from the director's written confirmation that they have disclosed all occasions of which they are aware where the entity has not complied with law and regulations, and the actual or potential consequences of such non-compliance.

In line with that, these obligations are applied when the auditor is aware that the information has indicated the possibility of non-compliance with the events. Certain laws or regulations and potential have effected on the financial statements as the potential endangers its going-concern status or its ability to operate (Gray and Manson, 2000).

2.10.3 Directives of Disclosure and Auditing and Accounting Standards.

Directives of Disclosure and Auditing and Accounting Standards No.1 were issued on February 12, 1998 and were published in the Official Gazette on April 16, 1998. They came into effect on the 1st of September, 1998. The aims of these directives are to maintain fair dealings in securities, enhance the trust of investors and savers and to achieve transparency in the market in line with International Standards. The main features of these directives are as follows:

1. The specifications of reports and information required form public shareholding companies to be disclosed and filed with the Commission for the purpose of enhancing transparency.

2. The application of International Auditing and Accounting Standards for public shareholding companies.

3. The specification of the criteria that should be applied by the auditors of the accounts of parties under the supervision of the Jordan Securities Commission (JSC).

Obviously, the directives obliged public shareholding companies to announce the preliminary results of their operations within 45 days after the end of the financial year. They should submit their annual reports to the JSC and announce yearly statements within a period not exceeding 3 months after the end of its fiscal year. The public shareholding company should also announce its half-yearly statement within a period not exceeding one month after the end of the mid-year. They must inform the JSC and announce immediately any material changes. These directives also contain a chapter on insider trading. Insiders are obliged to submit to the JSC material information related to the dealings (Securities Law, 2002). This law appears in its article No. 107 and the following shall be regarded as a violation of the provisions of this law:

a. Submitting false or misleading data in any document filed with the commission;

b. Offering or selling securities on the basis of false or misleading data regarding:

(i) The rights and privileges conferred by the security being offered or sold

(ii) The nature of the business issuers, the success thereof, the financial issuers' conditions or future prospects.

c. Certifying false or misleading financial statements or statements which violate accounting and auditing standards by an auditor or accountant. The accountants or auditor shall be liable for any damages or losses suffered by any party as a result of such false or misleading financial statements.

d. Any deception or misrepresentation related to securities or any prohibited act related to the licensed activities in accordance with the provisions of this law.

Article No. 110, shows that any person who violates the provisions of this law, regulations, instructions or decisions issued pursuant thereto shall be subject to a fine of not more than one hundred thousand (JD100, 000) Jordanian Dinars and in addition to a fine of no less than twice of that amount, and no more than five times of it, depending on the profit made or loss avoided by the person committed the violation.

All in all, the external auditor must comply with the Jordanian Laws and International Auditing Standards. Since, the role of the external auditor is very important in evaluating the going concern ability of companies. He must be knowledge's with civil law since the financial statement users may sue him for any losses caused by his unprofessional work. The Jordanian Company Law No. 22 determined the responsibility of the auditor towards the organization and its future. In Statement No. 193, the legislation determined the duties of the auditor that he is the one who can determine if the company is running well or not.

2.11 Public Shareholding Companies in Jordan.

The Jordanian government plays an active role controlling about 60 percent of the total economy. It is also the largest employer in the country. Government entities, such as the Social Security Agency, maintain significant investments in shareholding companies. Government regulations and procedures are bureaucratic, although the liberalization of investment laws is expected to reduce the bureaucracy. The Customs Department has collected customs duties and sales tax in 1996 worth a total of usD 1.05 billion, an increase of 16 percent over 1995. Hence, a new company law No. 22, aimed at encouraging investment, became effective on June, 1997. The Companies Law No. 22 (1997) limits routine procedures and facilitates the process of company registration. The law introduced the not-for-profit company form as well as the civil company form, which provides for the establishment of companies by professional persons, such as lawyers, doctors or engineers. Under the new law, companies are no longer required to pay a 15 percent capitalizing charge, which had previously proved a barrier to capital reserves. In addition, amendments to the law allow company founders to adopt the prices they deem appropriate to estimate the value of their fixed assets.

On the other hand, a public shareholding company may be formed by two or more shareholders whose liability is limited to their respective share of the company's equity. The minimum authorized capital is set at a minimum JD 500,000. The subscribed capital must exceed JD 100,000 or 20 percent of the authorized capital, whichever is greater. Banks, financial institutions and insurance companies may only be incorporated as public shareholding companies. Companies operating franchises must also be incorporated in this form. This also include an offshore company (or

exempt company) such as a public company, private company or a partnership limited in shares that is registered in Jordan, but conducts its business outside of Jordan. It is an entity that was introduced in order to attract foreign investments.

2.11.1. The Offshore Company

This entity may not offer its shares for public subscription in Jordan, and it is prohibited for Jordanians to subscribe to its capital. At least 5 percent of the capital of the offshore company must be invited through Jordanian securities. If the offshore company is engaged in insurance, banking, finance or joint investments, its capital must be at least JD 1,000,000

2.11.2. The Mutual Fund Company

A mutual fund (joint investment) company may be organized as a public shareholding company. Its objectives are restricted to investing funds on behalf of others by way of dealing in securities. This entity may take the form of a company with variable capital, which issues redeemable shares, the value of which is determined by the value of the company's assets. It may also take the form of a company with fixed capital whose shares are not redeemable and are traded on the stock exchange.

2.11.3. The Limited Partnership in Shares

This form of business entity consists of two or more general partners who are jointly and severally liable for its debts and three or more partners whose liability for the partnership's debts is limited to their respective share of the partnership's equity. Partners are not required to be individuals, and the name of the partnership should

include the name of one or more of the general partners and the words, "Limited Partnership in Shares." Additionally, the minimum capital permitted in this form of partnership is JD 100,000, which must be divided into negotiable shares of equal value of JD 1 each. Shares may be issued to the public for subscription but must not exceed twice the general partner's capital in the partnership. Consequently, the limited partnership in shares shall be dissolved or liquidated in the manner provided for by the company's articles of association. If not provided for, the provisions regarding liquidation of the public shareholding company shall apply.

As a conclusion, the public shareholding company in Jordan can be formed by two or more shareholders. The subscribed capital must exceed JD 100,000 or 20 percent of the authorized capital, whichever is bigger. In addition to that, those companies consist of three types such as Offshore Company (or Exempt Company), the Mutual Fund Company, and the Limited Partnership in Shares Company.

2.12 Agency Theory and Accountability Theory.

2.12.1. Agency theory:

Agency theory postulates that the firm consists of a nexus of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources (Jensen & Meckling, 1976). In particular, this theory is based on the premise that agents have more information than principals and that this information asymmetry adversely affects the principals' ability to monitor effectively whether their interests are being properly served by agents (Adams, 1994). It also assumes that principals and agents act rationally and use the contracting process to maximise their wealth. In reality, the relationship between principals and agents will incur contracting costs in ensuring the pareto-

optimality in the contracting process where the principals will incur monitoring expenditures while the agents incur bonding costs (Adams, 1994). The cost of external audit is an example of this bonding cost. In another literature, Alsheerazy (1991) pointed out this theory depends on legal relations between:

- a. Management, employees and external auditor
- b. Management and owners of capital
- c. Shareholders and external auditors

In this case, there is a contract between the management, employees, shareholders and the external auditors regarding their needs and benefits. As a result, the agency costs (monitoring expenditures, bonding expenditures and residual loss) were shown in order for them to observe the agent's action since these costs have effect on interests of the management and shareholders. The external auditor report is important to avoid problems between the management and owners of capital. The role of the external auditor in evaluating the ability of going concern in the public shareholding companies appears through agency theory in giving the auditor's opinion about the company's going concern ability to users of the financial statements (Alsheerazy 1991; Jensen and Mecking 1976; Robert et al.1982).

Furthermore, Antle (1982, 1984) and Baiman et al. (1991) considered the auditor and the manager as agents who were employed by the owner. The owner hires the manager to operate the business and hires the auditor to monitor the manager.

In relation to that, Goldman and Barlev (1974) said that there are three conflicts of interests in the auditing role such as The Auditor-Firm Conflict of Interests, the Shareholders-Management Conflict of Interests and the Self-interest-Professional

Standards Conflict. They represent pressures on the auditor to produce a report that deviate from the professional standards and represent potential threats to his independence. In this respect, the shareholders rely on the auditor report to evaluate the management performance. Hence, the management tries to push the auditor to produce a more favorable report in order to impress the shareholders. Because of that, the accountant's fee and freedom of action may depend on the content of the report.

Therefore, the probable loss of the audit fee may be a much greater cause for conflict between professional integrity and self-interest. So, the management (client) can choose the auditor and displace him for her interest through modifying the auditor report; this is considered as a threat to him for displacement.

2.12.2. Accountability Theory

This theory is related to the performance of auditing, audit of public shareholding companies, audit quality and functions associated with economic and social development. Therefore, the external auditors should be accountable to the company's going concern ability such as in its audit practices. They must have knowledge, experience, good skills, conscious and effective performance in audit to evaluate the ability of the company's going concern in their activities, and they give an early warning to the company on any indications threatening its going concern. (Hill, Mittal and Kulasingham, 1989).

In fact, this study used accountability theory in evaluating the companies going concern ability by external auditors, If there are indications, and effect it the company's going concern ability, the external auditor must regard these indications and regard audit practices to avoid any problems that may effect the company's going concern and give early warning to company to enhance the ability on going concern (Sylvester, Macro and Eric, 2000).

In conclusion, agency and accountability theories may help the researcher to explain the relationships among the principals of the companies, shareholders, clients, and the external auditor, depending on the external auditor's evaluation of the company's going concern.

2.13 Previous Literature on External Auditor Evaluating on Company Going Concern

In fact, the ISA No. 570 issued going concern indications such as financial indications, operations indications, and other indications to provide guidance on the auditor's responsibilities in the audit of financial statements. Previous studies (Goldstein, 1989; Shwiyat, 2004; Donoghue, 1990; Venuti, 2004; McCleam, 2005; Aqel, 1990; Hinawi, 1985; Edwards, 1993) regarded these indications in evaluating the company's going concern.

2.13.1 Indications Regarding the Evaluation of the Companies Going Concern Ability

There are many indications that threaten a company's going concern ability and affect its life cycle. These companies may face financial distress such as loan problem, frequent in losses operation, increase of current liabilities in comparison to current assets, inability of company to repay creditors in due date and to obtain necessary finance for developing new product. For other necessary investments, there are other distresses such as conversion from delayed buying to cash buying in relationship with suppliers, late or non-distribution of profits and showing adverse key financial ratios. The company may sometimes face operating indications such as changes of management professional or quitting of main managers without substitute. This can lead to main market losses, privileges, authorization, main supplier and difficulties with workers. Decrease in important supplies and existence of other indications may threaten a company's going concern ability such as non-compliance of requirements related to capital. Though the above indications are hypothetical, there is great possibility that most Jordanian companies are facing similar indications affecting their going concern ability. Therefore, for the company to survive and maintain its going concern ability, the auditor needs to evaluate the company's going concern ability. He must find out any indications about the company's going concern ability.

In fact, the ISA No. 570 issued these indications to provide guidance on the auditor's responsibilities in the audit of financial statements (ACPA, 1997). Therefore, the auditors have always been aware of the need of reviewing compliance with debt and loan agreements. It is imperative to stay abreast of revised terms of the

aforementioned agreements. Accordingly, continued updates of permanent file copies and attention to confirm response details is needed. It should also be obvious that loan compliance worksheets should be prepared regularly by the CPA. In addition, sluggish or slow payment of long-term debt, accounts payable and other accrued liabilities require inquiry by audit personnel (Goldstein, 1989).

Shwiyat (2004) explore the views of the external auditors regarding their responsibility towards the clients' going concern in Jordan and to investigate if the Jordanian external auditors apply the ISA No. (570), which related to going concern. Further, the study attempted to examine whether there were differences between the views of both auditors and financial directors pertaining appraisal delivered by an auditor on clients going concern. The population of study consists of Jordanian auditors (n=284) and financial directors of Jordanian corporation (n=177) from which a random sample 142 (50 %) and 55 (31 %) was selected respectively. 142 questionnaires were sent to auditors with a of 102 (71%). On the other hand, the return rate from the financial directors is 44 (80%). The data gathered was analyzed by using descriptive statistical and other appropriate tools. The findings reveal that:

1. Jordanian auditors are well aware to their responsibility on appraising future going concern of customers.
2. Jordanian auditors are committed in identifying "Uncertainty predictors" that have influence on their customers' going concern; they exert professional effort for the sake of having them exposed.

3. Financial predictors predominated non-financial ones (operational and others) with (76%) adherence versus (75.6%), (73.6%) for other predictors and operational respectively.
4. In case of uncertainty, Jordanian auditor takes extra measures as to customer's going concern.
5. Regarding reporting, Jordanian auditors strictly adhere to the ISA No. 570, with self-perceived response rate of 59.2%.
6. Jordanian auditor avoids reporting any listing of going concern problems due to: information confidentiality, believing in sufficiency of financial statement disclosure, difficulty in dealing with going concern matters, and fear of causing damage to interest of a customer due to conservativeness.
7. Self-perceived adherence to the ISA No. 570 of going concern is as high as 70.4%.
8. A consensus between responses of auditors and financial directors on extent to which Jordanian auditors adheres with the ISA No. 570.

In light of the earlier findings, the following are recommended:

1. Auditors in Jordan are well advised to highly familiarized with international publications on accountancy and auditing, to hold subscriptions on professional journals, and to attend relevant seminars and symposiums whether inside or outside since that would surely have positive effect on the performance of auditors and on improvement of auditing process entirely.

2. External auditors need to be well educated and trained. This can rise their conscious to the developments in the field for the sake of promoting efficiency of auditing as thus will further deepening the auditors' understanding in practicing the ISA.
3. Financial directors should be made conscious to nature and limits of auditing process; they should understand the real role of an auditor in auditing the financial statements, along with other duties and professional responsibilities. This can be made available through relevant publications, attending seminars, and lectures regarding auditing process.

2.13.1.1 Financial Indications

Donoghue, (1990) conducted a study to determine whether hospitals are able to continue as going concerns. This study uses the conditions and environment surrounding hospitals in the state of New York to admonish auditors of hospitals regarding going concern matters that must be considered. One of the results is poor operating performance and financial condition of its hospitals. However, it has enabled it to continue operating although financial conditions would not be possible in other industries. The auditor faced perplexity for the independent application of SAS No. 59, "The auditor's consideration of entity ability is to continue as a going concern". From 1979 to 1988, the Hospital Association of New York State (HANYS) has developed financial ratio analysis and other information such as annual financial surveys of its members. Twenty-eight (28) hospitals were identified as being continuous in their activities and had not filed for bankruptcy, although operating with negative fund balances. Further, six of these facilities had negative fund

balances for all 10 years; and three of these had liabilities exceeding assets by more than \$20 million at some point during that period.

a. Current Liabilities over Current Asset.

This indication means that working capital becomes negative which could lead inability in liquidities. The liquidities are necessary for a company's operation as an on going concern and payment of its liabilities due date (SAS No. 34). According to an FDIC publication in 2001, Venuti found that 257 companies in U.S faced bankruptcy; these companies had USD 258.5 billion as assets. In 2002, the number of these companies filing for bankruptcy decreased to 191, while the value of the assets into bankruptcy increased to USD 368 billion. The increase in the rate of bankruptcy was unexpected; more surprising is the auditors' failure to warn the investing public of the financial distress and imminent failure in their reports for the clients through modification of the audit report in accordance with SAS No. 59. From this, the researcher derives that the auditor's do not have the ability to evaluate correctly the companies going concern (Venuti, 2004). Therefore, the auditors must pay attention to revenues and expenses and the valuation principles applied to various classes of assets and liabilities in order to perform an evaluation of the entity's ability to continue for the near future. They must also state that the financial statements were prepared under the assumption that the company will continue its business. Under current GAAP and GAAS, these initial evaluations and the need for disclosure are determined by the auditors, not by the management. Some researchers (Hofer, 1980; Pearce II and Robbins, 1993) show in their strategic management discipline that when the company is in severe distress or when strategic health is weak, assets reduction is deemed imperative for a turnaround.

b. Loan Problems

Problems appear when the companies depend on short-term borrowings in order to finance long-term assets. This leads to the company's inability of repayment to proceed with its financial operations and difficulties on getting new creditors and withdrawal of financial support by debtors. Thus, most companies use short-term borrowing from banks with high interest rates to finance long-term projects. They then face some problems, which lead to the restructuring of the borrowings. These problems will affect the companies going concern ability. For example, the Canadian Airline Industry, Leblanc Jetsgo Corp's and Rowe's CanJet Airline have much in common. Leblanc Airline crashed due to debts, losses and problems with creditors. It is no longer a going concern matter. These mistakes also contributed to Jetsgo's fall. Both have tasted success and failure from multiple forays into Canada airline industry. Both sold their previous ventures to Canada 3000 in 2001, (Canada 3000 itself had descended into bankruptcy because of strong competition at the end of year 2001) only to re-enter the business the following year. Their latest low-cost airlines, Leblanc's Jetsgo Corp. and Rowe's CanJet Airlines, started up just months apart in 2002, with a handful of planes each. Both businesspersons are somewhat feisty and highly confident, accustomed to brutal competition with Air Canada and WestJet. Michael Leblanc was forced to shut down Jetsgo on March 11 and ask the Quebec Superior Court for protection from creditors. Leblanc's flame-out catapulted-tiny CanJet into the No. 3 spot among Canada's airlines. In other words, a firm going concern will come from reducing the competition (McCleam, 2005). In relation to that, Gilson, John and Lang (1990) found that companies are more likely to use rescue plans such as debt restructuring if they have more intangible assets, the size of debts is owed to banks and have fewer lender.

In that case, there is a great possibility that most Jordan companies may face loan problems. Therefore, the auditors need to evaluate the company's going-concern that includes liquid assets, reduction of expenditures and increases in capital, borrowing money or restructuring debts. When the countries do not pay their sovereign debt, that will lead to the establishment of a number of evolving institutions and firms (Brown, 2006). The objective is to optimize the impact of forthcoming default or actual default on international borrowing. These institutions are informal and concerned with managing debt between national governments and commercial banks. The changes in the fundamental principles of the management debts system appeared by changing the content of rescheduling, from simply delaying payments to actual reduction in their present value. These institutions may repay the debt to avoid the greater peril and financial problems related to default and ability to pay and reach agreements on the amount of debt rescheduled. Thus, the inability to repay debts would cause insufficiency on liquidity and operating losses. The suspicion in the company's ability to repay short-time cash money is called liquidity crises. This means there is an increase in audit risks for the company regarding the auditor's suspensions on the company's going concern (Aqel, 1990).

Besides that, inability of a company to repay creditors in due date leads to other indications such as conversion from delayed buying to cash buying in relationship with suppliers and inability to obtain necessary finance for developing new products or for other necessary investments. Decrease in liquidity leads the company's credits more for financing current liabilities or other activities, and this leads to more debits, which in its turn leads to make its debts more than its profits. This further will lead to

the inability in the company's going concern. Chen and Wei (1993) on the other hand, found that creditors are more likely to abandon demand on early payment to companies with lower potential of bankruptcy and a lower leverage ratio. Furthermore, those who manage to get waivers have a momentous higher percentage of secured debt.

c. Financial Ratios

SAS No. 570 connotation uses financial ratio for the judgment on financial statements justice. This standard requested from the auditor a vertical and horizontal analysis on the financial statements and a comparison with those of previous years. The auditor will also draft a comparison of the expected results of suppositive budget with actual results, and compare actions with similar companies in terms of size and activities. According to a study conducted in Jordan in 2003 by the National Portfolio Securities (NPS), the net profit posted by industrial public shareholding companies in 2002 was one per cent less than that recorded in 2001. External auditor evaluation on the going concern ability must regard to this percent because its affect on company going concern. In reality, forty-nine (49) industrial public shareholding companies listed on the Amman Stock Exchange (ASE) posted JD92.6 million in net profit after tax and allocations compared to 40 companies recording JD93.5 million in profit in 2001, according to the NPS figures. The decline was attributed mainly to around JD13 million drops in the net profit of the Arab Potash Company.

Consequently, this study also point out that 26 industrial shareholding companies posted JD14.4 million in net losses compared to JD16.3 million in net losses posted by 35 companies in 2001. Moreover, NPS also indicated that all industrial public shareholding companies have announced their final results for the year 2002 with the

exception of three (3) (Abu Quad, 2003). On the other hand, there are many models related to the failure prediction, going concern prediction and predicting auditors' opinions,

So the Jordanian researcher, Aql (1989) applied the Altman Model on the fourteen (14) Jordanian companies that differ in their performance for the period from 1982-1984. He concluded that this form distinguished between the good and low performance of companies in the Z value for all companies. He attributed that to the detained profits and the decrease in their percentage in addition to the high level of debts compared with the American companies. This model is considered the best by the auditor with 95% of accuracy in the prediction of the company's failure. The model predicted the failure of 82% of the study sample meanwhile; the auditor's report gave 44% of those companies. However, Hinawi (1985) noted that the big difference between Altman Model and the auditor's report is not important, because the auditor may discover the going concern inability of the company but does not refer to that in his report. On the other hand, Badawi (2004) compared between the auditor's report and Altman Model (Z- Score) to know which one is better in finding out the financial distress that may lead to failure. This comparison was made for the previous five years of the closeout to know which is better. To achieve the goals of this study the auditor's report was analyzed and Altman (Z-Score) was applied on a sample of thirteen (13) Jordanian service and industrial shareholding companies, which were closed between of 1991 to 2001. The results of the study showed that Altman model (Z-Score) is better in predicting the failure of companies than the auditor's report. It showed that Altman Model was able to predict the failure of companies for the years preceding their close-out with a high percent of 77.8 % , 92

%, 100 % , 92.3 % for the fifth, fourth, third, second and first years. Meanwhile, the prediction ability of the auditors was low with 11.1 % . 15.4 % , 27 % , 38.5 % for the same companies in the same years. Due to this result, it is recommended that auditors use Altman's Model (Z-Score), because of its credible results and big ability in predicting the failure of companies. Also the study recommended to consider it as part of the auditing process by reconsidering the laws concerning auditing especially those laws related to the going concern of companies and to improve them continuously in a way that helps the auditor to understand the necessity of evaluating the going concern of companies. The report is the mean in which the auditor expresses his opinion about the financial statements or he might not give an opinion when necessary.

In both cases, the auditor mentions the tests he had done according to the ISA where the users of the financial statements expect the auditors to release any going concern problems (Zennox, 2003). In subsequent study, Abdurrahman (1995) study the different models of predicting the going concern of companies, and test the suitable models for application. To achieve the goal of the study, it was divided into three chapters. The first chapter talked about the current situation of the auditing report in Egypt companies and the possibilities for development. Chapter two talks about predicting the going concern of the company under the declarations SAS No. 34 and SAS No. 59 issued by the American Institute for Auditors (AICPA). Chapter 3 suggests a model for predicting the going concern of companies depending on the following ratios: rotation average for the production stock, the average of the total debts, the long-term finance sources, proportions (rather than consumption), net assets, loans, total profit currency rate out of the total assets. This form was applied

on 16 companies working in the electrical and electronic engineering. Eight were successful and the rest were not by using their last five-year statements. The results showed the success of the firms in predicting failure are 78% that is five years ahead of that failure. It also showed that auditor had to inform about the possibility of the companies' failure either by a qualified opinion in his report or by adding an explanatory paragraph. In reality, there are six relevant models of predicting a company' going concern ability:

1. Altman and McGough Model (1974)

This model can be applied to company bankruptcy prediction, developed by Altman in 1968, and includes five variables as follows:

- a. Working capital to total assets.
- b. Retained earnings to total assets.
- c. Earnings before interest and tax to total assets.
- d. Market value of equity to book value of total debt.
- e. Sales to total assets.

In doing so, Altman (1968) validated the accuracy rates for bankrupt and non-bankrupt companies were 96% and 78.79% respectively. Altman and McGough (1974) believed that Altman's Model (1968) could also be used to evaluate the companies going concern. It was found that the model could predict a bankruptcy rate of 82.35% of one year prior to bankruptcy of these companies. In contrast, the auditors qualified their audit reports only 44.12% (bankruptcy rate) and 21.21% (accuracy rate) at that time respectively. Altman and McGough (1974) concluded

that the model was higher in signaling going concern problems and that it could be an effective help to the auditor in making a company's going concern evaluations.

2. The McKee Model (1976)

The model consisted of the following variables: (1) quick assets to current liabilities, (2) working capital to owner's equity, (3) long-term liabilities to working capital, (4) total liabilities to total assets, (5) net sales to total assets, (6) net income before tax plus depreciation, depletion, and amortization to total liabilities, and (7) company current assets to current liabilities and industry current assets to current liabilities. The accuracy rate for the model was 77% for the evaluation of the companies going concern. Although McKee (1976) did not compare these results to the auditor's opinions explicitly, he concluded that his discriminate model would be of obvious benefit to the auditor in evaluating the going-concern status of audit clients.

3. The Levitan and Knoblett Model (1985)

The model consisted of the following variables: (1) trend variables for operating income to shareholders equity, (2) net income to shareholders' equity, (3) dummy variable for current assets to current liabilities, (4) net worth to total debt, (5) dummy variable for cash flow, (6) quick assets to total assets, (7) trend variable for current assets to current liabilities, (8) dummy variable for net income, (9) current assets to total assets, and (10) current assets to current liabilities. The accuracy rate of the discriminate model one year prior to bankruptcy was 88.50%. In addition, they evaluated the performance of auditors in qualifying bankrupt companies by examining the audit reports. An audit opinion was considered correct when a going-concern qualification was given to bankruptcy companies or when a clean opinion

was given to a non-bankrupt company. The auditor's accuracy rates one year prior to bankruptcy were 65.63% for bankrupt companies, 100% for non-bankrupt companies, and 83.58% overall. They concluded that their discriminate model was a better indicator of a company's future prospects than the auditors' going concern opinion. Thus, the discriminate model should be useful to the auditor in evaluating a company's continued existence.

4. The Mutchler Model (1985)

A sample of 119 manufacturing companies that received going-concern qualifications in their audit reports and 119 manufacturing companies that exhibited potential going concern difficulties but did not receive going concern qualifications were used. Companies in which going concern difficulties appeared were defined as companies that met at least one of the following seven standards:

- a. Liquidation.
- b. Negative net worth.
- c. Negative cash flow.
- d. Negative income from operations.
- e. Negative working capital.
- f. Current year loss, including cases where there were two and three straight loss years
- g. Current year retained earnings deficit, including cases where there were two and three straight deficit years. These standards were determined through interviews with auditors as reported in Mutchler (1984) and he used seven variables in his model (1985). These variables consist of:
 - (i) Cash flow to total liabilities.

- (ii) Current assets to current liabilities.
- (iii) Net worth to total liabilities.
- (iv) Total long-term liabilities to total assets.
- (v) Total liabilities to total asset.
- (vi) Net income before tax to net sales.
- (vii) Dummy variable for the previous years' audit opinion.

The results of the test in predicting going concern ability showed that the greatest model could predict going-concern qualification with an accuracy rate of 71% and non-qualification with accuracy rate of 94.1%. Apparently, the inclusion of SAS No. 34 variables such as mitigating factors, contrary information, and trend do not appear to be useful in predicting going-concern qualification because these variables are not included as the “best” model. Based on the findings, this model concluded that 89.9% of the companies in the sample have a redundant qualification in their going-concern ability because it could be predicted correctly with discriminate model.

5. The Menon and Schwartz Model (1987)

This model was more constructive in the prediction of the qualification of going-concern ability. 89 companies were bankrupt during the period 1974 to 198, 37 received going-concern qualifications. This model used seven variables based on the auditor's going-concern qualification decision. These variables consist of:

- a. Current assets to current liabilities.
- b. Change in current assets to current liabilities over the year.
- c. Retained earnings to total assets.
- d. Debts to total assets.

- e. Income to total assets.
- f. Dummy variable for recurring operating losses.
- g. Cash flow from operations to total liabilities.

Consequently, the results of this model in predicting going-concern qualification were tested with two samples.

- a. 39 bankruptcy companies that filed for bankruptcy during the period 1981 to 1983. The accuracy rates for predicting going-concern qualification and non-qualification were 71.43% and 84 % respectively
- b. The second sample consisted of 46 non-bankrupt companies that were identified as being financially weak (i.e., companies that reported net loss and retained earnings deficit in 1981). The corresponding accuracy rates were 100%, 71.43%, and 78.26%, respectively. So, they concluded that their model could predict going concern qualification accurately.

6. The Dopuch, Holthausen, and Leftwich Model (1987)

They used nine variables in their model:

- a. Change in total liabilities to total assets over the year.
- b. Change in receivables to total assets over the year.
- c. Change in inventory to total assets over the year.
- d. Total assets.
- e. Dummy variables for the availability of income to shareholders.
- f. Dummy variable for the period of listing in the New York Stock Exchange or American Stock Exchange.
- g. Change in data over the year.

- h. Change in the residual standard deviation from the market model regression over the year.
- i. Difference between common stock returns and an equally weighted industry index.

The effectiveness of the model in predicting going-concern qualification was tested on a sample consisting of 12 companies with going concern qualifications and 95 companies with clean audit opinions during the period 1977 to 1980. The accuracy rates were 33.3% and 99.90% respectively. They concluded that their model could predict audit qualifications of contingencies (including the going-concern qualification) accurately.

d. Frequency Operation Losses.

Operation losses to company leads to financial deficiency. If this situation continues to last more than three years, it will weaken the company's going concern ability and engender loses reputation towards the shareholders and others from the finance statement users. Losses in operations are related to the past performance of the company, judging from the data. Auditors tend to place more emphasis on prospective circumstances than on historical information when making the going-concern decision. The auditor refers to losses in operations in his report (Edwards, 1993). In another study conducted by Bambar, Castka, Sharp and Motara (2003) the extent of equipment failures and reasons for production losses are not entirely understood, therefore any total productive maintenance (TPM) actions cannot be deployed optimally to solve major problems or arrest deteriorating performance. Production losses, according to Ericsson (1997), together with other indirect and

hidden other hand suggests that Overall equipment effectiveness (OEE) is “a measure that constitute the majority lost of the total production costs. Nakajima (1988, 1989) had the attempts to reveal these a hidden cost”. The objective of OEE is to identify these losses as:

a. Downtime losses:

1. Breakdown losses categorized as time losses when productivity is reduced, and quantity losses caused by defective products.
2. Set-up and adjustment losses resulting from downtime and defective products that occur when production of one item ends and the equipment is adjusted to meet the requirements of another item.

b. Speed losses:

1. Idling and minor stoppage losses occur when production is interrupted by a temporary malfunction or when a machine is idling.
2. Reduced speed losses refer to the difference between equipment design speed and actual operating speed.

c. Quality losses:

1. Quality defects and rework are losses in quality caused by malfunctioning production equipment.
2. Start-up losses are yield losses that occur during the early stages of production, from machine start-up to stabilization.

e. Late or Non-Profits Distribution.

Knowledge of break-even, profit-and-loss related to different businesses by managers are important to make decisions, which ensure survival, optimized profit returns and limited risk (Graham and Harris, 1999). In fact, it is not important to regard the impact on profit of possible sales and business changes after the preparation of the annual flexible budget; it should be referred to as an earlier impact and to be aware of break-even thresholds. However, some practitioners display a cynical disregard of the break-even concept (Harris, 1992). They consider break-even as irrelevance and business exists to generate profits, not to recover costs. At first sight this argument is appealing, but on closer examination it can be seen to be flawed, as until a business passes through the break-even threshold profits will not be forthcoming. Hence, although break even is not being an end objective in itself, it is a critical intermediate point which must be reached before profits are realized (Harris, 1992).

Thus, when the management delays in payments and profit distribution with the existence of evidences in financial statements, an existence of profits for distribution occurs but it will not be distributed. This situation pushes the management to distribute stocks to shareholders in exchange instead of cash profit distribution. This will be considered as an indication on the company's weakness in its ability as going concern in the future (Mutter 1990).

2.13.1.2 Operating Indications

a- Change in Management

There are little indications that two of the greatest challenges facing today's organizations involve leadership and change management. These indications affect on the company going concern ability. In relation to that, Kemal (2002) in his study conducted a test on the turnover of the general managers (GMs) in hotel and holiday village and show actual causes of GM's turnover in Turkey. The two major purposes of the study were to:

1. Prove and test the turnover of GMs; and
2. Find the actual causes of GM turnover.

Thus, research has suggested that high turnover rates among employees in general and among managers in particular has a significant negative impact on a hotel's performance and profitability. The quitting managers were related to conflicts between owners and managers.

Therefore, reducing management-owner conflict would seem to be a pressing need in the industry. In the long run, changes in management professional or quitting of main managers in Jordan negatively effects the profitability of companies such as Jordanian Potash Company, leading to huge losses in 2000. In this case, the auditor should understand that caused the career dissatisfaction of employers and effects changes in management professional in Jordan.

b. Main Market Losses (Sales)

Company may face many difficulties in marketing its products, because of its competition and high pricing or fall level in the product quality. All these reasons can lead to reduction in sales and affect the going concern ability of a company in the future. Thus, evidence can be found through the size of sales. Highly competitive business is becoming important for companies to respond both quickly and effectively to the changing patterns of customers' demand. This requires new and improved alliances, greater collaboration and sharing of information, as well as innovative ways of doing business and new types of relationships (Griffiths, 2001).

Besides that, pressures from increased competition, new technologies and other environmental changes are forcing companies to seek greater product differentiation, particularly in mature and declining markets. For successful differentiation, companies must see things "from a customer's point of view;" after all "customers are human beings rather than statistics with individual needs" (Slack, 1998). In line with that, the businesses of the twenty-first century will have to overcome the challenges of demanding customers who will seek high-quality, low-cost products that are relevant to their specific and rapidly changing needs (Bunce and Gould, 1996). Therefore, the aim of the management is to reduce the gap between the production and marketing functions and cost reduction for lower prices for the going-concern company.

c. Difficulties with Workers or Decrease in Important Supplies

This indication means any decrease in main and important equipments, which consider vital to company activities. This affect its going concern ability and also any

decrease in fundamental materials and efficient workers also lead to the same conclusion. The auditor also notices that through a decrease in equipments and material values related with production, will results in the inability on maintenance or the equipment breakdown. He can also notice that through the relationship between workers and management. These studies have shown a positive relationship between effective human resource management (HRM) practices and organizational performance (Becker and Huselid, 1998; Huselid, 1995). However, there are several existing problems: First, there is no consensus on how and what to measure regarding effective HRM practices although it would be impossible to measure every HRM practice carried out at the workplaces. Secondly, there is a problem related to the level of measurement in measuring HRM practices at different levels within an organization and between organizations is likely to yield different results.

Hence, AL-Basheer (2003) asserted that the clear and fair system of salaries and employee affairs in the organization provides a sense of security and satisfaction for the employees. The use of motives in that system through compensation and raising salaries is very effective in achieving the best results of performance, leading to the success and going of the organization. Therefore, the auditor has to take into consideration those factors when evaluating the going concern ability of companies.

2.13.1.3 Other Indications

a. Non-Commitment on Capital Requirements

This requirement is related to the investment of money such as capital whether through loans and bonds. There is a limited percentage for keeping the balance between the sources of internal and external finance. Any existing weakness in this

percentage such as increase of debt size may lead to large money charges on the company and likely to its going concern activities. Company must have a commitment of some percentage money and compare it with the same industrial company (Kharabsheh and Saideh 2000).

b. Law Procedures Against the Company (Litigation)

When there are legal procedures against the company and its losses, this may lead to commitments allocating the non-repayment by the company, or under the law reservation. This would lead to a negative impact on the company's going-concern in the future. This will requires the auditor to evaluate the company's going-concern for the future. The failure of “Ernest company’s auditors in auditing financial statements led them to loss hundreds millions by the court judgments (Arnold, 2001).

C. Changes in Legislations or Government Policy (Legislations).

Every government supports its companies and national products and invest in the international market to increase its economy. This leads to a clash between government policies and local company benefits (Altamimi, 1998).

Though the above indications are hypothetical, there is great possibility that most Jordanian companies may be facing similar indications affecting their going-concern ability. For the company to survive and to keep its going concern, the auditor therefore, needs to evaluate the company’s going concern ability.

According to ISA No. 570, there are many indications that threaten the company’s going concern ability and affect its life cycle such as financial indications, operating

indications, non-commitment on capital requirement, litigation, and legislation. Therefore, the Jordanian auditor must regard this standard to find out whether there is any doubt about the company's going concern ability. He must be aware to those indications and give the company an early warning to overcome those problems. Also, he has to add an explanatory paragraph in his report related to the company's going concern.

2.14 Perception of the Importance of the Auditor's Evaluation of the Company's Going Concern

Al-Amoudi (2001) conducted a study on the role of the external auditor in evaluating the going concern of the shareholding companies in Yemen. The sample of the study included 90 external auditors and financial managers in public shareholding companies who were asked to indicate their perceptions of the importance of the auditors' evaluation of the company's going concern ability, the external auditor's procedures, going concern indications, external auditor's report and problems that the external auditors face. The study showed that the view of the auditors and the financial managers were consistent in respect to the auditor's evaluation of the company's going concern. They showed that there were significant differences in respect of the details or segments of such evaluation. The financial managers stated that the auditor revealed the going concern problems in the report more than the auditors did. The opposite is true regarding the discovery of the going concern indicators and the performance of the required audit procedures in case of doubt.

Moreover, Asfor (2003) investigated the importance of the following seven factors:

Level of education, major, practical experience of the auditor, size of the company, laws, kind and auditing fees, which have an impact on the ability of auditors to

realize the risks of auditing in Jordan. Therefore, he distributed questionnaire to 60 auditors and received 42 (70 %). The results of the study were as follows:

1. The study ensured that the level of education, major, practical experience of the auditor, size of the company, and laws affect his evaluation of the going concern of the company.
2. The social and financial pressures mainly affect the independence of the auditor in Jordan, which negatively affects the auditing process. The findings indicated significant differences (0.05) in the perception of the importance between external auditors and their immediate supervisors for factors relating to the performance of auditing and independence. The practical reality of auditing showed that there is a big gap between what the auditor expects and what he really does. The following represent such gap
 1. Some establishments face bankruptcy although there are no indications of failure in the audited financial statements of those establishments in the previous year.
 2. The assets were evaluated more than their real value because of the auditor's incorrect opinion.
 3. The existence of relatively important indications in the accounts that show that there is cheating and deviation the auditor could not discovered.

In another literature, Siam (2003) examined the importance of selected factors concerning the independence of the external auditors in Jordan. The factors studied were categorized in attribute groups:

- a. The material factors represented by auditors' fees and consultant services.
- b. The behavioral factors represented by the conflict between the personal advantages and the goals of the auditor and the client, auditors hiring and dismissal methods.

- c. The client-related factors represented by the changing of applying the GAAP, the management role in choosing the auditor and the client financial status.
- d. The audit firm-related factors represented by the audit-firm size and duration of the audit process.

As for collecting the data for the study, the researcher used a well – designed scientific questionnaire developed according to the former studies and the theoretical framework of the study. The population of the study consisted of 476 auditors working in Jordan and registered as (a) group auditors from which 118 auditors were selected randomly. The results indicated that those factors do affect the independence of the external auditors in Jordan.

2.15 Measurement of the Effectiveness of the External Auditor's Evaluation on the Company's Going Concern

Asfor (2003) designed a framework to evaluate the external auditor's ability in Jordan to evaluate the risks of audit in Jordan. He distributed a questionnaire to sixty external auditors. The findings stated that academic qualifications, major, experience, size of the audit firm, type and audit fees t affect the external auditor's evaluation of the audit risks.

Also, Thneibat's (1991) in his study aimed to investigate the role and responsibility of the external auditor in evaluating the going concern of the shareholding companies. He used many independent factors such as academic qualifications, major, experience in audit,. In order to achieve those objectives, the researcher used two data collection methods: unstructured and structured interviews and a

questionnaire consisted of 43 questions distributed to 75 external auditors selected randomly. The results showed that:

- a. The auditor had the ability to evaluate the going concern of the shareholding companies.
- b. Most auditors showed the ability to evaluate the going concern of the shareholding companies despite the differences between their qualifications, major, experience in auditing.

On the other hand, Kasharmeh (2003) aimed to identify the factors that affect the selection of the external auditor in the public shareholding companies in Jordan. He distributed a questionnaire to 72 external auditors and financial managers in Jordanian public shareholding companies. He used the five point 'Likert Scale' for measurement. He regained 39 questionnaires representing 54 of response rate also distributed 38 questionnaires to financial managers and regained 26 representing 68 % from the total number.

The conclusions showed that there should be an agreement on the effective role of the board of directors in selecting the auditor by both parties. The study also showed differences of statistical significance regarding the personal relationship between the members of the board of directors and the auditor as well as the years of experience.

This study suggested the following recommendations.

1. Limit the influence of the board of directors in selecting the auditor. The companies' controller in the Ministry of Trade and Industry must do it
2. Based on the experience and qualifications of the auditor, a definite standard is required to be established by a committee assigned from all related parties to determine the auditor's fees.
3. The necessity to activate the role of the Jordanian Association of Certified Public Accountants (JACPA) in controlling the audit firms and choosing auditors according to a specified criterion.
4. The necessity to find a way to implement the regulations, which state that, the company must hire the auditor during the company's annual meeting.

Additionally, Alqam and Al-Rajabi (1997) showed that due to the effects of auditor's change on the external auditor's independence, this study examines and determines the factors that cause the Jordanian shareholding companies to change their auditors. To achieve this target, the responses to a questionnaire by auditors and managers of shareholding companies have been analyzed and tested. The sample was 75 external auditors, 62 questionnaires regained, and representing 83 percent. 75 questionnaires were also sent to the auditors with a response rate 71 %. The findings were as follows:

1. The auditors indicated that there was a significant effect of the factors related to the company such as implementation of audit standards and professional ethics, and factors related to the audit firm.

2. Managers of shareholding companies indicated that there were factors related to the company and the audit firm affect auditor's change. However, other factors such as implementation of audit standards and professional ethics do not affect auditor's change.
3. There are no significant statistical differences between means of responses of auditors and managers about the factors related to the company and the audit firm. However, there were significant statistical differences between means of responses to the factors related to implementation of audit standards and professional ethics.

However, Matter (1994) aimed to investigate the most important factors that affect the independence of the external auditor in Jordan. It also aimed to determine ways and methods to support and maintain that independence. The study sample consisted of 129 persons selected randomly from all groups concerned with the auditor's independence. Those groups were certified accountants, users of audited financial statements such as financial credit analysts and officials who are concerned in controlling and supervising the audit profession. The measure instrument was a questionnaire consisted of eight questions to measure the responses of study the sample according to the five point Likert Scale. The study revealed the following:

1. Perceptions of the above-mentioned groups toward all the factors affecting the auditor's independence do not significantly vary except for the competition factor for which perceptions of the three groups vary towards both the relative importance of such factors and direction of its effect on the auditor's independence.

2. The most important factors affecting the auditor's independence in Jordan is the role of management in hiring and dismissing auditors and determining the amount of audit fees.
3. Perceptions of auditors employed by big firms differ significantly from those of auditors employed by small ones.
4. The most important means and tools necessary to maintain and support the auditor's independence in Jordan are:
 - a. Having a code of professional ethics governing the auditing profession.
 - b. Strict penalties against auditors who do not comply with the professional ethics.
 - c. Having a minimum rate of audit fees, which should be respected by auditors to minimize unfavorable competition in the profession market.

On the other hand, Almotaz, Basodan and Mustafa (2004) aim to determine the factors that affect the change of external auditor in the Saudi Public Companies. The study used the questionnaire as a tool for collecting data according to Likert Scale. In the questionnaire, the factors that affected the auditor change were divided into two sections: technical factors that amounted to thirteen factors, and non-technical factors that amounted to twelve factors. The questionnaires were sent to all Saudi Public Companies and a sample of audit firms. Sixty-one members of audit committees and fifty-two managers of audit firms responded to the questionnaire. The results of the study indicated that technical factors were important. Those factors preceded non-technical ones in terms of importance. Some technical factors are taking into consideration the Generally Accepted Auditing Standard (GAAS), the reputation of

the audit firm and its experience, the knowledge and professional qualifications of partner, audit managers and auditors.

The non-technical factors were important for both samples. These factors were audit fees, auditor insistence on including this qualification in the audit report, and not assisting the company in the preparation of the annual financial statements and changing members of audit committees. Some of these results were worrisome because they might affect the independence of auditor. The study also found differences between the samples (members of audit committees and audit managers) regarding the five factors. One of which was technical and four were non-technical.

Furthermore, Bashtawi and Sufian (2003) examined the effect of the social relations between the auditors and companies' managers on the job of the external auditor in Jordan. The researchers distributed a questionnaire to sixty external auditors. The study showed that social relations affected the independence and performance of the external auditor.

In line with that, Siam (2003) analyzed the factors that affect the external auditor's independence in Jordan, which classified into material factors, behavioral factors, client-related factors and audit firm-related factors to achieved the purposes of this study, the researcher has proposed five hypotheses. The population of the study consisted of 476 auditors who work in Jordan and registered as A group auditors. Random samples of 118 auditors were selected. The result showed that there were many factors that affect the independence of the external auditors in Jordan. These factors are :

1. The material factors represented by auditors' fees and consultant services.
2. The behavioral factors represented by conflict between the personal advantages and the goals of the auditor and the client and auditors hiring and dismissal method.
3. The client-related factors represented by changing of applying the GAAP, the management role in choosing the auditor and the client financial status.
4. The audit firm-related factors, represented by the audit-firm size and the length of audit process.

In light of those conclusions, the researcher recommended the necessity of reviewing the Jordanian auditing standards because of the existence of many legal gaps.

Subhi and Al-Thnaibat (2006) study aimed to know the auditor's responsibility toward the third beneficiary party from lawyer and auditor point of view. They investigated the importance of the factors that decrease the changes of legal liabilities that auditors face toward the third party. To achieve the objectives of the study, a specially designed questionnaire was distributed to a sample of lawyers and auditors. Descriptive statistics and Mann-Whitney were used to analyze the data. The result indicated that there were no significant differences between the lawyers and auditors' opinions regarding the auditors' responsibility toward the third beneficiary party. However, the auditors seemed to be supportive in increasing the auditors' responsibility toward the third beneficiary party more than the lawyers. Additionally, it appeared that there were differences between auditors and lawyers' opinions regarding the level of the auditor's responsibility toward future users of the financial statements. Lawyers seemed to be supportive to increase the auditors' responsibility

toward future users of the financial statements. The results also indicated that there were statistical differences between auditors' and lawyers' opinions concerning the importance of the factors that decrease the possibility that auditors might face legal liability.

On the other hand, AL-Momani (2004) studied the influence of ten types of non-audit services either by the same or other auditor in the same firm on the independence of the external auditor in Jordan. A random selected sample (n =116) represented about 35 percent of the population (n = 332) consisting of all auditors, credit analysts from the commercial banks and financial analysts working in financial service corporations were selected. The instrument was administered to the whole sample including all the three categories with returned usable questionnaires of 170 out of 247 administered. The SPSS software along with other qualitative statistical methods, reliability test, T-test, and one-way analysis of variance ANOVA were used to analyses the data.

This study concludes that:

- a. Non-audit services have a negative impact on the external auditor's independence, if presented by the same auditor who audits the statements of the same client.
- b. Non-audit services have a negative impact on the external auditor's independence, if delivered by a separated department in the same Auditing Bureau within which the auditor served the same client.
- c. There found to be statistical significant differences among subjects, attitudes attributed to affect the profession nature, years of experience, educational level, and major as to non-audit services under study.

In relation to that, Priscilla and Devine (1995) asserted that the research instrument was formed to ask the auditor to evaluate the company's going concern status and to make a decision as to whether the audit report should be modified. Before making this decision, the information regarding current status of the client was framed in a positive or negative manner. Then, the decision is considered as the dependent variable with frame and firm size as independent variables. In general, to compare the firm size with the mean beliefs of auditors regarding going concern decision outcomes, the auditors responses were anchored by seven-point Likert Scale (1) strongly disagree; and (7) strongly agree. In this respect, the researchers found that there was no significant difference in the going concern decision between large non-Big Six firm and small firms (measure the beliefs of auditors from big and small audit firms about the going concern decision). Additionally, ANOVA was used to determine the significance differences. Specifically, the researchers used the logit analysis because the dependent variable was dichotomous. So, this analysis indicates that framing was significant at $p < 0.05$. Then, there is a significant difference between the audit decisions and the firm size at the size variable significant at $p < 0.005$.

Matarneh (2003) studied the commitment to the international standards when preparing reports. A questionnaires were distributed to forty external auditors. It showed that there was no commitment to the requirements of preparing reports and that standard did not suit the Jordanian environment. It also showed that in the absence of the local auditing standards, there must be a commitment to the international auditing standards as stated by the decisions of the Jordanian Auditor Society No.54 (1989). The study showed that the non-commitment to the

international auditing standards by the auditor weakens the credibility of the report and negatively affects its users. Therefore, the non-commitment to those standards when preparing reports negatively affects the role and performance of the auditor in evaluating the going concern of companies. The study also showed that there was an incomplete commitment to the international auditing standards by the auditors.

Al-Amoudi (2001) studied the ability of the external auditor to find out whether there are any indications about the going concern inability of the shareholding companies in Yemen, and the procedures in case of any going concern problems according to the ISA. His study also aim to proof whether the auditor reports of companies' going concern problems and give any early warning regarding this issue.

The framework of the study consisted the following:

Independent variables:

1. Going concern indications.
2. Procedures of the external auditor.
3. Auditor's report.
4. The problems that the auditors face which can affect his evaluation on the companies' going concern.

Dependent variable:

1. The auditor's evaluation of the companies' going concern.

Questionnaires were distributed to 90 auditors which a return rate of 91 % (82).

The results were as follows:

1. The external auditor in Yemen had the ability to discover the indications of the company's going concern inability with 76.2 percent. It also showed that the auditors gave less attention to the financial indications than others.
2. The external auditor in Yemen performed the necessary procedures with 78.8 percent of accuracy according to the ISA No.570.
3. The external auditor in Yemen showed that there are 53 % problems of the going concern in his report.

The above studies agreed that the auditors' evaluation of the company's going concern must have the following twelve factors to be effective. academic qualifications, major, experience in auditing, experience in accounting before auditing, auditor's fees, social relations, administration fraud, consultant services (non audit services), hiring and dismissing the auditor, size of the auditing firm, legal disputes, and competition. The new variables are audit fees, consultant services, experience in accounting before auditing and social relations.

Table 2.4

Summary of the Research Concerning the Factors Related to the Ability of the external auditor to evaluate the companies going concern

No.	Author	Respondent Used	Location and Number of Items	Result
1.	Asfor (2003)	External Auditors	Jordan 5 items	1. Academic qualifications 2. Major 3. Experience in auditing 4. Size of audit firm 5. Auditor's fees
2.	Thneibat (1991)	External Auditors	Jordan 6 items	1. Academic qualifications 2. Major 3. Experience in auditing 4. Size of audit firm 5. Auditor's fees 6. management fraud
3.	Almotaz Mustafa and Basodan (2004)	External Auditors	Saudi Arabia 6 items	1 Academic qualifications 2.Auditor's fees 3. Experience in auditing 4.Hiring and dismissing the auditor 5. Competition 6. Consulting services
4.	Khasharmeh (2003)	External Auditors	Jordan 5 items	1. Major 2.Practical experience in auditing 3. Auditor's fees 4. Consulting services 5.Hiring and dismissing the auditor
5.	Bashtawi and Sufian (2003)	External Auditors	Jordan 3 items	1.Practical experience in auditing 2. Audit fees 3.Social relationships between auditors and companies managers'
6.	Ashto (1991) (1990)	External Auditors	USA 2 items	1.Practical experience in auditing 2. Audit fees
7.	Matter (2000)	External Auditors	Jordan 4 items	1.Practical experience in auditing 2. management fraud 3. Consulting services 4. Size of the audit firm
8.	Siam (2003)	External Auditors	Jordan 3 items	1. Audit fees 2. Consulting services 3.Hiring and dismissing the auditor

9.	AL-Basheer (2003)	External Auditors	Jordan 3 items	1. Audit fees 2. management fraud 3. Size of the audit firm
10.	Matter (1994)	External Auditors	Jordan 3 items	1. Audit fees 2. Hiring and dismissing the auditor 3. Competition
11.	AL- Momani, (2004)	All auditors, credit analysts from the commercial banks and financial analysts working in financial service corporations	Jordan 1 item	1. Influence of non-audit services on independence of auditors'
12.	Alqam and Al-Rajabi (1997)	Auditors and managers of shareholding companies	Jordan 2 items	1. auditing standards 2. auditor's change
13.	Matarneh, (2003)	External Auditors	Jordan 2 items	1. Commitment to ISA in preparing reports
14.	Al- Amoudi, (2001)	External Auditors and financial managers	Yemen 5 items	1. Going concern indications 2. Procedures 3. Audit Report 4. Hiring and dismissing the auditor
15.	Shwiyat (2004)	External auditors and financial managers	Jordan 1 item	1. ISA No. 570

2.16 The Factors that Influence the External Auditor Evaluation of the Company Going Concern.

Previous studies showed the importance and influence of many independent variables such as academic qualification, study major, experience in auditing, experience in accounting, audit fees, social relations, management fraud, consultant services, hiring and dismissing the auditor, firm size, legal disputes, and competition on the auditor evaluation of the company's going concern. Nevertheless, on the other fields, the external auditor independence and audit risks were also accounted. Previous accounting research has examined the relationship between these variables. However, these studies reported mixed results as illustrated below:

2.16.1. Academic Qualification (Level of Education)

Asfor (2003) assures that the level of education of the auditor affects the evaluation of the auditing risks related to the companies' going concern. Those who have PhDs and the master qualification are more aware to the risk of evaluation than other level of education. In addition, there are many incorrect practices resulting from the lack of the scientific qualifications of auditors. In contrast, Thneibat (1991) showed that eighty-five percent of auditors assured that the scientific qualification (diploma, bachelor degree, master degree, and ph.D) did not affect the companies' going concern evaluation.

Additionally, Matter (2000) showed that most of auditors in Jordan do not have enough academic qualifications to evaluate the companies' going concern. However, only twenty percent of auditors admitted that fact.

2.16.2 Major of Study (Specialization)

Asfor (2003) found that the ability of the external auditor in Jordan to evaluate the risks of auditing was affected by his major of studies. 66.7 percent of the sample of the study were accounting major. They were the most able ones to evaluate the going concern ability of the company.

On the other hand, Thneibat (1991) viewed that the auditor's major should be accounting, economics, business administration or general administration. Eighty five percent of auditors are able to evaluate the going concern ability of the shareholding companies. Fifteen percent of auditors who were accounting major could not evaluate the companies' going concern, but seventy-three could.

2.16.3 Practical Experience in Auditing

In reality, knowledge and experience of the external auditor have a great effect on their performance in evaluating the going concern of companies (Bashtawi and Sufian, 2003). Obviously, Ashton (1991) found that the more experienced and knowledgeable the auditor is, the more he is able to discover the errors and deviations in the financial statements. In doing so, the ability of the auditor to evaluate the going concern risks is affected by his practical experience. In addition, there were differences of statistic indications between the auditor's experience and his ability to evaluate those risks. On the other hand, there were incorrect practices by many auditors because of the lack of experience (Asfor, 2003).

Thneibats (1991) asserted that eighty-five percent of the auditors have the ability to evaluate the going concern ability of companies regardless their years of experience.

That leads to the fact that the experience does not have a crucial role in the auditor's ability to evaluate the going concern of the company. In this matter, Hmeid (1995) assures that the experience affects the quality of auditing in the Saudi shareholding companies. Consequently, Kasharmeh (2003) believes that the experience is an important factor in selecting the auditor.

In relation to that, Matter (2000) study found that most of the auditors in Jordan do not have enough experience to evaluate the companies' going concern from academic and businessperson points of view. However, the auditors refused to accept that view. Only twenty percent of them admitted that. Additionally, Tomczyk (1996) assures that banks prefer to give investment in the new foreign companies if those companies deal with a well-known auditor. Moreover, Wallace and Wanda (1998) focused on the relationship between the reputation and selection of the auditor. The creditor or investor will rely on the information more if that information was released from a well-known auditor.

2.16.4 Practical Experience in Accounting before Audit

The experience in accounting before audit is one of the requirement to acquire a license in auditing. It is a crucial role in the auditor's ability to evaluate the going concern of the company.

2.16.5 Auditor's Fees

There is positive a relationship between the audit fees and the performance of the external auditor. (Bashtawi, Sufian, 2003; Pelham, Nater, 1995; Ashton, 1990; Asfor, 2003) on the other hand, showed that there was a relationship between the fees and the independence of the auditor. The low fees affect his performance and independence negatively (AICPA, 1978, p, 21). However Siam (2003) aimed to analyze the affecting factors on the external auditor's independence in Jordan under the vocational regulations classified to financial and behavioral factors, and other factors related to the customer and the audit firm. The researcher calculated all the necessary statements through a questionnaire distributed to 167 external auditors. 137 returned their questionnaires. 19 were excluded because of their incomplete information. Only 118 were adopted, representing 71 percent of the total questionnaires. The results showed that there were many factors that negatively affect the independence of the external auditors in Jordan. Some of those factors are financial factors such as auditing fees.

In line with that, AL-Basheer (2003) assures that the law of companies in Jordan determined the responsibilities of the auditor towards companies and their future. However, it did not determine the auditor's rights especially the audit fees to evaluate the going concern ability of the company. Matter (1994) also emphasizes that audit fees was an important factor and had a negative effect on the independence of the auditor. Pelham and Neter (1995) examined the relationship between the financial motives and the auditor's performance. They concluded that auditors who get high fees are more independent. On the other hand, Ashton (1990) added that

financial motives improve the auditor's performance. Asfor (2003) assured that audit fees affect the evaluation of the audit risks related to the companies' going concern.

Obviously, AL-Amoudi (2001) showed that there was a gap between the audit fees and the responsibilities of the auditor. He also showed that there were no standards to determine audit fees. Therefore, Theinebat (1991) viewed that the recent audit fees do not suit the auditor job, which negatively affects his performance. So, Khasharmeh (2003) assured that the audit fees affect the company's selection of the auditor after comparing his fees with the other firms.

Eichenseher and Shields (1983) studied American companies that had changed their auditors. They wanted to know the opinions from the financial managers' perspective regarding the reasons of that change. The researchers concluded that decreasing in audit fees was the most important reason for changing the auditor. In 1988, Simon and Francis investigated the effect of changing the external auditor on the audit fees. The sample was chosen from 214 American companies between 1979 to 1984. The study concluded that there was a decreased in audit fees of 24 percent in the first year of the change, 15 percent in the next two years, and then returned to the normal level in the fourth year. The researchers recommended the necessity of determining the lowest level of fees to maintain the independence of the auditor.

Sumunica (1980) also suggested that audit fees have essential effects on the auditor's independence. Those effects are reflections over the competition in the market. However AICPA (1978) analyzed the effects of fees on the auditors. Most of the audit firms decrease their fees at the beginning of the relationship with their

costumers and then increase those fees gradually after maintaining that relationship. Therefore, those firms care about keeping that relation with the customer, which negatively affects their independence. Palmorse (1986), Francia and Simon (1987) and De Angelo (1981) support that opinion.

Accordingly, Almotaz, Mustafa and Basodan (2004) showed that the fees of the audit firm might lead to the changing of auditor in the public companies, which negatively affects his independence. Vanstraelen (2000) asserted that audit fees have a big effect on the audit quality; and the decrease in the audit fees is considered one of the problems by the Jordanian audit firms. Then the higher the audit fees, the better the audit quality. (Francis and Simone 1987 Gist, 1994, Clarkson and Simunic, 1994). Furthermore, Geiger and Rama's (2003) study find that lawful audit fees was factually associated with going-concern audit opinion which suggest for more audit efforts in reporting the potential of suitable going-concern assumption.

2.16.6. Social Relationships

Bashtawi and Sufian (2003) examined the effects of the social and economic factors on the performance and independence of the external auditors in Jordan. To achieve that goal, they distributed a questionnaire to a sample of sixty external auditors. They concluded that the auditor's commitment to the rules and regulations reduces the negative effects of those factors. The study showed that the social and economic factors have negative effects on the independence and performance of the external auditors.

2.16.7 Company Fraud

The auditor is not independent in obtaining necessary information for his expression of opinion. Therefore, AL-Basheer (2003) showed that the auditor would be able to judge the company's going concern if he gets the necessary information from the management of the company. Otherwise, he has the right to management report that to the board of directors from management. The auditor has the right to resign or leave the company with clarifying reasons of the management hide, give any vague or incorrect information.

In doing so, Matters (2000) emphasizes that companies' failure was contributed to the companies' management and the external auditors. The companies' management did not provide the necessary information to the auditor to evaluate the going concern of the company in most cases, because of their role in the failure of companies in Jordan. Therefore, the interference in the auditors' job by the management makes the auditor unable to discover the cause of losses. On the other hand, some auditors know about the fraud but do not report that or take any action against that. Arens et al (2003) also contributed that failure to the cheating in the financial statements or the misuse of assets.

2.16.8 Consulting services.

In particular, Siam (2003) said many factors affected the independence of the external auditors in Jordan negatively. Some of those factors were financial, such as the consulting services. Therefore, Guy and zeff (2002) opposed giving consultant services by the external auditor especially after the collapse of the Athron Power Company, which lead to issuing a law by the Securities and Exchange Commission in America (SEC) that prohibited the external auditor from giving consultant services

to the customer. On the other hand, Jarboa (2000) stated that the consultant services should be given by qualified persons to give advice about the problems and their solutions. However, the most important problems related to independence were the consultant services the auditor gives to the company.

Additionally, Khasharmeh (2003) viewed that the services the auditor gives either before or after being hired by the company do not affect the company's decision in selecting him. Shockley (1981) assured that the consultant services affect the independence of the auditor negatively. Many studies showed many negative effects of the consultant services, so, they recommended prohibiting those services or at least decreasing them to a limited accounting consultant services. Titard (1971) on other hand showed many evidence that oppose giving consultant services. He also showed their negative effects on the independence of the auditor. Hartley and Ross (1972) concluded the same results and Shultz (1978) pointed out four main reasons to prohibit the auditor from giving consultant services to the client because they affect his independence. Those reasons are as follows:

1. Giving those services to the company by the auditor makes him its defender, which makes it hard to be independent.
2. The auditor will feel that his reputation as a consultant is related to the reputation of the company, which obliges him not to take any action that might affect the reputation of that company.
3. Being a consultant to the company, the auditor finds himself close to the decision maker, which will make it difficult for him to revise his decisions.

4. Giving consultant services by the auditor will make him close to the company's management, providing a chance for a personal relationship between them and then affecting his independence.

According to Matter (1994), study the consultant services the auditor gives to the company was classified as the least important. The opinions received from the study were different on the effects of those services on the auditor's independence. However, the majority maintained those negative effects on the independence. As such Almotaz, Mustafa and Basodan (2004) believes that not giving consultant services by the auditor to the company has a negative effect on the decision of hiring and dismissing him, leading to negative effects on his independence.

In 2001, Arthur Andersen firm, an international audit firm fell victim to Enron scandal shortly after announcing that the audit team shredded client's documents. This scandal led to the formation of Sarbanes-Oxley Act 2002, which forbids nine types of non-audit services by audit firms. This was due to an allegation that Andersen received a hefty pay of non-audit services which impaired its undertaking partner's objectivity in doing what auditors have enjoyed for the past one hundred years; independent checks. This led to a study of the effect of non-audit services (NAS) to auditor reporting by accounting researchers such as Geiger and Rama (2003) and Sharma (2001).

- a. Sharma (2001) studied 49 bankrupt firms in Australia and found that non-audit services may impair auditors' independence. Twenty-five out these firms received going-concern opinion, after controlling financial distress. The researcher

(Sharma) found that clients who paid higher NAS to be less likely to receive a going-concern opinion in the preceding year of bankruptcy.

- b. Geiger and Rama's (2003) concluded that there is no evidence to support that NAS reduce auditor's ability to report objectively about client's financial health. However, they did find that lawful audit fees was factually associated with going-concern audit opinion which suggest for more audit efforts in reporting of potential not suitable of going-concern assumption

2.16.9 Hiring and Dismissal of the Auditor.

Siam (2003) showed that there are many factors that negatively affect the independence of the external auditors in Jordan. Some of those factors are behavioral factors such as the contradictions between the interests and goals of the auditor and the company, and the way of hiring and dismissing the auditor. AL-Amoudi (2001) assured that the law had not given the auditor the right to discuss his dismissing, which affects the level of disclosure in his report, which further affects his evaluation of the going concern

Kasharmeh (2003) on the other hand aimed to know the affecting factors in selecting the external auditor in the shareholding companies in Jordan. He distributed 72 questionnaires. 39 ones were regained, representing 54 percent response rate. The researcher adopted five points Likert's scale.

Consequently, the study showed that the board of directors selects the auditor. The relationship between the management and the auditor controls the process of selecting the auditor, which negatively affects his independence in evaluating the

financial statements of the shareholding companies. Although the legal requirements in the Jordanian career environment gives the right of selecting the external auditor in the Jordanian shareholding companies to the general committee of the shareholders, the role of the board of directors in selecting the auditor is limited to certain cases, such as whether general committee's inability to select one, or if the auditor dies. The financial difficulties that faced some of the Jordanian shareholding companies recently made some doubts about the existence of true independence for the auditors to do their job and give their opinions.

Accordingly, Menon and Williams (1991) studied on how the shareholding companies handled their stocks in the market for the first time in the USA in 1985 and 1986. They concluded that those companies preferred hiring famous auditors because of their neutrality and accuracy in auditing the financial statements. The role of the management in hiring and dismissing the auditor was very important and had a negative effect on the independence of the auditor (Matter, 1994). Teho (1992) believed that there are two types of auditors: (i) The strategic auditor who gives an unqualified opinion in order not to be dismissed, which negatively affects his independence, and (ii) mechanical auditor who gives his final opinion according to the facts. Citron and Toffler (1992) however, assures that the first kind is greatly available practically. They concluded through a field survey on 107 English companies which announced their bankruptcy. 28 companies, representing 26 percent of the total received an unqualified report about their going concern, which shows that the auditor did not depend on the facts in his evaluation, but on the fear of being changed. On the other hand, Knapp and Elikai (1988) showed that the change

of auditors in companies increased (82 %) in the years 1981 and 1985 more than before in the USA.

In 1984, 523 cases of changing the auditors happened in the shareholding companies (Haskins and Williams, 1988). The average of changing the auditor increased (147 %) in 1987 more than in 1981 (Sarhan et al, 1991). The cases of changing the auditor also increased in the years 1988 to 1993, and reached 3530 cases representing 588 cases each year (Schwartz and Soo, 1996). It is no doubt that those increases caused the vocational and non-vocational organizations to be interested in that phenomenon. The AICPA recommended that the period of contract with the auditor should not be less than one year in order to decrease the cases of change (Mahoney and Roush, 1994). The increase of that phenomenon lead to a low level of performance by the auditor, leading to a large number of legal disputes (Albrecht and Willingham, 1993, Krishnand and Krishnan, 1997).

As such, changing auditors lead to the demand for disclosure by the registered companies in the stock market Securities and Exchange Commission (SEC) that changed their auditors. The American Currency Commission (ACC) obliges those companies to show if the auditor resigned or dismissed by the company (SEC, 1988, Krishnan, 2002). Almotaz, Mustafa and Basodan (2004) asserted in their study that the change of the auditor affects his independence and neutrally. In their survey study, they applied the five point-Likert Scale through the questionnaire, which consisted of 100 auditing firms in Saudi Arabia. They found that forty eight percent of the auditing firms here is the weakness in the personal relationship between the auditor and the company and the affects hiring and dismissing of the auditor, which

makes it easy to change him. Additionally, Hackenbrack and Hogan (2002) studied changing the auditor by using a sample of dismissed auditors from 1992 to 1997. They concluded that the prices decreased against profits after changing the auditor for reasons such as fees and legal disputes. Meanwhile, the prices increased against profit after changing the auditor for other reasons such as the services given by the auditor.

2.16.10 Size of the Audit Firm

Siam (2003) found that there were many factors that affect the independence of the external auditors in Jordan negatively, such as the size of the auditing firm and the period of auditing. Meanwhile, Abo Zaid (1985) and Matter (1994) examined the relation between the size of the auditing firm and the independence of the auditor. The result was that the big auditing firms are more independent than those smaller ones. Therefore, Siam (2003) recommended that they should be an integration between the small audit firms to give more independence to the auditor.

Mousa (1992) also saw that the size of the audit firm and the time needed to audit its financial statements affected the audit fees, which affected the independence of the external auditor. So, Priscilla and Devine (1995) aimed to find out the effect of the size of the audit firm on the auditor's opinion on the going concern of the company. He ensured that there was a relationship between the size of the firm and the qualified opinion, which means that the auditors who work in big firms are more independent in giving their opinion regarding the going concern. On the other hand, Matter (2000) states that 89 percent of the respondents agreed that the size of the audit firm affects auditor's opinion about the going concern.

In fact, the empirical studies agreed upon the effect of the size of the audit firm on the independence of the auditor. Big firm are more careful about the independence of their auditors than the small ones for the following reasons:

1. The relationship between the small audit firm and their customers is usually more personal than big audit firms (Mautz and Sharaf, 1961).
2. Big audit firms usually give their consultant services by separated sections from the auditing sections, which decrease the effects of those services on the auditor's independents (Titard, 1971).
3. Big audit firm are more careful about their reputation than the smaller ones (AICPA,1978).

Besides that, Yemeni (1991) and Matter (1994) assured the size of the audit firm affects the auditor's independence. Big audit firms have more auditors who are more independent and vice versa. On the other hand, there was a relationship between the audit quality and the size of the audit firm. Low quality reports affect the reputation of the big audit firm negatively (Lennox, 1999, Teoh and Wong (1993), Menon and Williams, 1991; De Angelo, 1981). Hummeidat (2002) also referred in his study that the audit quality differs in terms of size of the audit firm. Big firms issue more reliable and accurate reports than the small ones. So, Colbert and Dennis (1998) noted that there was a positive relationship between the audit quality and the size of the audit firm. The sample of the study contained 422 USA small audit firms assured that view.

2.16.11 Legal Disputes

Abbott (1994) found that big audit firms might spend 11 percent of their income on legal actions in a year. This is because those firms had not warned the company's' creditors and investors regarding the financial distress that caused the company failure. The costs of legal actions increased from 7 percent in 1990 to 19.4 percent in 1993 (Public Accounting Report, 1994). The responsibility of the auditor has increased recently, leading to the increase of the legal actions against some audit firms in Jordan such as: AL-Abasi Office, Saba, and the authorized auditors in some cases like Petra Bank, Amman Investment Bank, Islamic Monetary House, Textiles Company, Jordan Gulf Bank and the Arab Investment Company. That affected the confidence of people in the audit career negatively, leading to an increase of the responsibility of the external auditor on the financial statements (Subhi and Thneibat, 2006).

Moreover, the legal responsibility is still a matter of concern for the auditor because it affects his reputation and causes him big financial losses. In 1991, six audit firms in the USA suffered 447 million dollars in defending themselves and settling the cases against them. That amount represents 90 percent of the audit income of those companies, representing an increase of 1.3 percent more than in 1990, which was 7.7 percent. Some expected the percentage to increase in 1994 and to reach 11.9 percent (Shrie'h, 1994. Arens et al, 2000). In 1990, the seventh biggest audit firm Leventhol and Horwath announced its bankruptcy because of the high number of the legal actions against it. Panell Kert Company was also shut out. 90 percent of its branches were sold in 1992. Its other firms were dealt with as representatives of separate audit firm. One of the previous partners in that company pointed out those legal actions

was the reason for that (Arens et al, 2000). In 2004, the legal actions against the auditors in the USA were usD 40 billion dollars.

Furthermore, Palmrose (1988) studied the effects of the number and kind of the legal actions against the audit firm on the audit quality. By analyzing 472 cases against the biggest eight audit firm and the other ones from 1960 to 1985, the researcher concluded that there was a negative relationship between the large number of the legal actions and the audit quality. The more those legal actions are the less the audit quality.

2.16.12 Competition

Shockley (1981) assured that the competition between the external auditors is the most important factor that affecting the independence of the auditor. The more the competition between the audit firm to attract clients, the more those clients like to change their auditors either to decrease the fees of to get more adequate auditors. Therefore, the independence of the auditor as stated by Beams and Killough (1970) is at risk.

In line with that, Matter (1994) ensured that the competition between auditors has a negative effect on the auditors' independence. Therefore, the competition between the audit firms to get agents is one of the problems that Jordanian auditors facen (Al-malky, 2000 and Dahmash, 1989).

In fact, the above examples may affect the auditor's opinion related to the company's going-concern in Jordan. Therefore, this hypothetical may become its accountability.

The long audit tenure with any company would possibly lead to the creation of unhealthy audit-client professional relationship. The external audit activity should be independent, and external auditors should be objective in performing their work. Therefore, independence is necessary for the audit firm effectiveness. In Jordan, an independent auditor must issue his opinion on the financial statements through an evaluation of the quality of the information. There are many general standards related to independence such as:

- a. The audit firms and the auditors should be free in the audit work.
- b. Auditors and audit organizations must be unbiased in their responsibility to issue opinions, conclusions, judgments, and recommendations
- c. Auditors should avoid situations that affect their independence related to issues of facts to achieve the audit objectives and exercise impartial judgment about the financial statements. Independence also means being completely objective and unbiased by prior involvement in the subject of audit (US Government Accountability Office, 2005).

Additionally, Mautz and Sharaf (1961) discussed two attributes of audit practitioners that is practitioner's independence and profession. There are three dimensions in practitioner independence such as:

- a. Programming independence: Auditors have freedom to develop their own program and the amount of work to be performed, within the over-all bounds of the engagement.
- b. Investigative independence: Auditors have freedom to examine information such as budgets and forecast accounts for the following period.

c. Reporting independence: The contents of the report are related to the scope of the examination

Consequently, in profession of independence, they suggested that the profession as a whole must avoid any appearance of lacking independence. Another suggestion is that auditing does not have any built-in characteristics that assure the existence of its integrity and independence. This refers to the fact that auditing suffers from what may be described as “built-in anti-independence factors” and list the features they believe, and which can lead the public to doubt the independence of the auditor as a member of the auditing profession. These features are : (i) close relationship, which the profession of public accounting has with business and (ii) the organization of the profession.

The first feature has the following components:

1. Clear financial dependence. The audit of business companies represents the size of audit work, and that auditors are directly reliant on business companies for the size of income.
2. Existence of a confidential relationship. The relationship between auditor and client should be confidential. The problem is that shared secrets imply a degree of intimacy and outsiders may feel that these results are in fact threat to an objectivity.
3. Strong emphasis on service to management. The publicity material of many firms should stress on the ability of serving managements’ interests in many different ways.

The second feature has the following components:

1. Tendency towards the emergence of a limited number of large firms, the problem is that firms particularly the large ones, can look more like a business venture than a professional type of service. These firms have to be well organized and businesslike in giving this impression. There has been also a conscious move away from the provision of a service per se to a business/profit oriented view of their activities. The companies have made great role recently of the profit that they make from their various activities, including audit. In practice, they give the impression of being more like large corporations than partnerships.
2. Lack of professional solidarity. The diminution of professional solidarity derives from the fact of strong competition between audit firms, but the impression is gained when firms are fighting hard to gain and retain clients.
3. Tendency to introduce salesmanship. Large companies are very conscious of the need for practice development of the salesmanship. They suggested that there is more to a profession than merely rendering a service.

On the other hand, Al-Amodi (2001) measured the auditor's evaluation of the company's going concern depending on the level of auditor's performance regarding the going concern indications in ISA, No.570. Accordingly, the author obtained the measure from the analysis of the sample responses. To achieve that, the researcher used five points Likert Scale where every point has a rank as follows: 5 points represent 81 % - 100 %, 4 points represent 61% - 80 %, 3 points represent 41% - 60%, 2 points represent 21% - 40 % and 1 point represent 0% - 20 %. The researcher depends on the mean that is worth 3 points according the questionnaire, where 3 is

considered as a middle rank to compare with the population mean to test the auditor's ability to evaluate the companies going concern. The classification is big for more than 3 points, low less than 3 points or mean for 3 points. When the population mean is more than 3 points (60%), it means that the auditor performs the going concern evaluation at a rank more than the middle. But if the mean is less than 3 points, it means that the auditor did not evaluate the companies going concern.

Furthermore, Shwiyat (2004) depends on the questionnaire to measure the Application of ISA, No. 570 related to going concern by the Jordanian auditors (dependent variable). He also depends on ISA, No. 570 to formulate the instrument items. The degree was five point Likert Scale to answer the items as follow: Point 1 very low, Point 2 low, Point 3 middle, Point 4 high and Point 5 very high. Every point also has a percentage such as 0-20%, 21-40%, 41-60%, 61-80% and 81-100% respectively, in addition to dividing the mean into three levels: (1-2.5) low level; (2.5-3.5) middle level and (3.5-5) high level. The standard deviation (S.D) is considered acceptable at 50% from the mean. Therefore, if the S.D exceeds 50%, it is considered as a scatter in responses but, if the S.D is less than 50%, so there is no scatter in responses.

As mentioned above, the previous researchers studied many variables considered as dependent variables such as auditor responsibility, evaluation of the risks of auditing, auditor change, and auditor evaluation of the companies' going concern, auditor performance, and quality of auditing. On the other hand, the researchers used several variables as independent variables to identify the nature of the relationship between the independent variables and dependent variable where the findings were mixed. As

a result, in this study, the researcher adapted those independent variables to examine their relationship with AECGC.

2.17 Chapter Summary

This chapter has reviewed the literature related to this study such as auditors' responsibilities and the role toward going-concern of the companies, discussion of standards of audit and accounting relevant to going-concern of companies; and laws and regulations concerning the companies' going-concern. This chapter guides the researcher to develop some hypotheses, and design the questionnaire. On the other hand, the going-concern statements also provide guidance to external auditors in making opinions about the financial statements related to going-concern ability. The role of external auditor is important for the companies' future, and to give an early warning about any problems that could lead to the failure or bankruptcy of those companies.

In general, The Jordanian government focuses on the financial statements auditing through going-concern assumption to maintain a social and economic stability in Jordan. Thus, the financial statements are prepared on the assumption that the company will continue its activities in the near future. Therefore, according to Jordanian Laws and ISA No. 570, the auditor in Jordan should evaluate the entity's ability to continue as going concern for a reasonable period of time not exceeding one year beyond the date of the financial statements being audited, but the problem however was related to the auditor's report about the companies going concern. The majority of auditors in Jordan issued unqualified opinion without referring to the company's going concern although many companies had failed in the next few days.

As mentioned earlier in this chapter, previous accounting researchers have examined the relationship between the auditor's evaluation of the company's going concern and many factors such as demographic and audit-related factors. However, these studies reported mixed results and did not regard some variables with the auditor's evaluation of the company's going concern such as audit fees, social relations, experience in accounting before auditing, and non-audit services. In line with that, the researcher will investigate all of those factors with the AECGC as will be illustrated in the next chapter.

CHAPTER THREE

RESEARCH FRAMEWORK AND METHODOLOGY

3.0 Introduction

This chapter describes the methods and procedures of inquiry that are used in this study. The purposes of this study are to gauge the extent of the external auditor evaluation of the going concern ability in the public shareholding companies in Jordan.

This chapter is divided into four sections: the research framework, research hypotheses, methodology, and chapter summary.

3.1 Research Framework

The independent variables of this study are the academic qualifications, major (specialization), experience in auditing, experience in accounting before auditing, auditor's fees, social relations, administration fraud, consultant services (Non-audit services), hiring and dismissing the auditor, the size of the auditing firm, legal

disputes and competition among the auditors. The dependent variable is the external auditors' evaluation of the company's going concern ability.

Theoretical Model based on the development of the variable specification will be used in this study. The theoretical framework which proposes to explain the AECGC success is denoted by the following general expression:

$$AECGC = f \{QUALIFI, SMAJOR, EAUDIT, EACCOUN, AFEES, \\ SOCIALR, ADFRAUD, CONSSER, HIRDISM, SIZEAF, \\ LEGALDI, COMPETI\}$$

The regression coefficient (β) indicates the effect of the independent variables on the dependent variable. Specifically, for each unit change of the independent variable, X , there is an expected change equal to the size of β in the dependent variable, Y . Hence, the regression model is as follow:

$$Y = \alpha + \beta_1 QUALIFI + \beta_2 SMAJOR + \beta_3 EAUDIT + \beta_4 EACCOUN + \beta_5 \\ AFEES + \beta_6 SOCIALR + \beta_7 ADFRAUD + \beta_8 CONSSER + \beta_9 HIRDISM + \beta_{10} \\ SIZEAF + \beta_{11} LEGALDI + \beta_{12} COMPETI + \varepsilon$$

Where

AECGC = Auditor Evaluation of the Companies Going Concern

a = constant

QUALIFI = *Academic Qualification*

SMAJOR = *Study Major*

EAUDIT = *Experience in Auditing*

EACCOUN = *Experience in Accounting before Auditing*

AFEES = *Auditor's Fees*

SOCIALR = *Social Relations*

ADFRAUD = *Administration Fraud*

CONSSER = *Consultant Services (Non-audit services)*

HIRDISM = *Hiring and Dismissing the Auditor*

SIZEAF = *The Size of the Audit Firm*

LEGALDI = *Legal Disputes*

COMPETI = *Competition*

ε = A random disturbance term (error).

The schematic diagram that shows the relationship between the independent variables (demographic factors and auditing-relating factors) and dependent variables (auditor evaluation of the company's going concern) is portrayed in Figure 3.1. According to Sekaran (2003), a research model is the theoretical framework that conceptualizes how one theorized the relationships among the several factors that have been identified as important to the problem. This framework looks into the impact of demographic factors and auditing-related factors on auditor evaluation of the company going concern.

Consequently, the definitions of each attribute presented in the framework are discussed in the following sections.

Figure 3.1 below shows the research framework of the study.

Research Model and Methodology

3.1 Research Model

Figure 3.1

Research Model

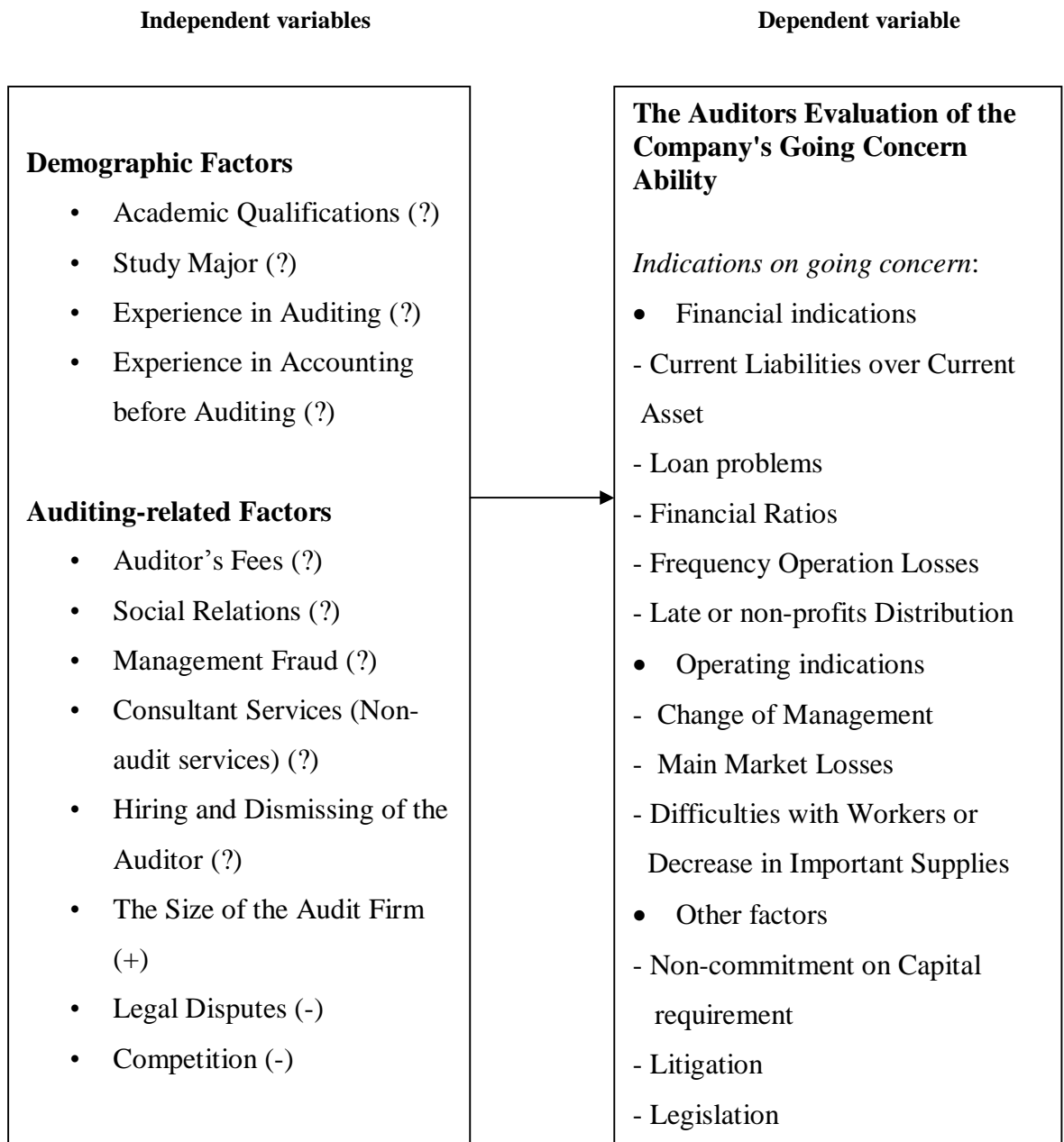


Figure 3.1. Theoretical Framework

The proposed model is based on the ISA No. 570 connotation on the judgment of the financial statements and the procedures the auditors must follow in evaluating the going concern of companies, thus represent the dependent variable. Therefore, the auditor's task is to give his opinion about the fairness of those statements. As for the independent variables, the researcher derived them from previous studies as shown in Chapter Two of this study.

On the other hand, the new variables in this model are the audit fees, social relations, non-audit services, and experience in accounting before auditing. They were investigated by Bashtawi and Sufian (2003); Siam (2003); Matter (1994); Pelham and Neter (1995); Ashton (1990); Jarboa (2002); Khasharmeh (2003); Shockley (1981); and Titard (1971), concerning the auditor's independence and performance in addition to the auditor change. In this study, the researcher examines those factors to identify their relationship with the AECGC.

The model is also based on the agency theory where the managers will incur the agency costing in order to observe the agent's action. The proxy for agency cost used in this study is the external auditing fees based on the notion proposed by Sherer and Kent (1983) that is the internal auditing is an adjunct of the function performed by external audit. Therefore, this theory depends on a legal relation among the management, employees and the external auditor also between management, owners of capital, shareholders and the external auditors. So, the external auditor's report is important to avoid problems between the management and owners of capital. The role of the external auditor in evaluating the ability of going concern in the public shareholding companies appears through agency theory in giving the auditor's

opinion about the company's going concern ability to use of the financial statement (Alsheerazy 1991; Jensen and Mecking 1976; Robert et al.1982).

The theoretical model is also based on the accountability theory. This is because the external auditor must have knowledge, experience and good skills to evaluate the company's going concern ability in regarding early indications of going concern to the company to enhance the going concern ability (Hill, Mittal and Kulasingham, 1989; Sylvester, Macro and Eric, 2000).

To overcome going concern problems, the agency and accountability theories have focused on the relationships between auditors and policy makers to improve the going concern evaluation. Such evaluation was made possible through the examination of the relationships between the demographic and audit-related factors with the auditor evaluation of the company going concern. Those theories attested that the increases of the audit fees, social relations, hiring and dismissing of the auditor, and increase size of the audit firms will contribute in improving the going concern evaluation by the external auditor. In addition to that, the higher experience in auditing and accounting and higher qualification is the higher going concern evaluation. On the other hand, the agency theory was based on legal relations between external auditor and financial statement users. External auditor provides users of the financial statements clear report related to company's going concern then the policy makers undertake their investments decisions according the auditor report. Consequently, consultant services were one of the independent variables that negatively affect on the going concern evaluation. Therefore, this variable will impair the relations between the auditors and management in the future. Agency and

accountability theories recommended preventing the consultant services by the auditor to assuring high going concern evaluation and neutral report.

3.2 Hypotheses Development

The research hypotheses address demographic factors such as (i) academic qualification (ii) major of the study (specialization) (iv) experience in auditing (v) experience in accounting before auditing. and auditing-related factors such as: (i) auditor's fees (ii) social relations (iv) administration fraud (v) consultant services (Non-audit services) (v) hiring and dismissing the auditor (vi) size of the audit firm (vii) legal disputes and competition among the auditors in relation to the external auditors' evaluation of the company's going concern ability in Jordan. Those factors are important attributes to the quality of auditing. It is also based on widely accepted standards such as the ISA No. 570. The external auditors should be proficient to perform their individual responsibilities such as knowledge, skills, experience and other competencies. In this study, prior research were used as discussed in Chapter Two to identify the indications of going concern that help the external auditor's to evaluate the company's going concern.

Most external auditing professionals argue that an effective external auditing function unequivocally correlates with an organization's success in meeting management objectives. Therefore, this study intends to find out whether the independent variables have a significant impact on the external auditors' evaluation of the company's going concern.

In light of the questions raised in the problem of the study, the hypotheses are derived through studying the literature and the ISA No. 570. Agency and

accountability theories help to explain the relationships among the administrations, shareholders, clients, and the external auditor depending on the external auditor's evaluation of the company's going concern.

3.2.1 Going Concern Indications on AECGC

The Jordanian laws and regulations stated that the external auditor must comply with the ISA No. 570, which is related to the going concern, when planning the auditing process. This research examines whether the external auditor has the ability to regard all the going concern indications when evaluating the company's going concern. If there is any indications that might threaten the company's going concern, does the auditor perform the auditing practices as stated by ISA No. 570 since those going concern indications are an essential part in the auditor's evaluation.

Al-Amoudi (2003) concluded that those going concern indications affect the external auditor's evaluation of the company's going concern in Yemen. Shwyiat (2004) studied the external auditor's commitment to the ISA No. 570 in Jordan. He showed that those indications influence the auditor's evaluation of the company's going concern. However, those researchers handled those indications depending on the ISA No. 570 only to measure the dependent variable. This research studies those indications in details depending on the ISA No.570 in addition to the previous literature.

3.2.2 Demographic Factors

3.2.2.1 Academic Qualification (QUALIFI)

Matar (2000) results show that there is a positive association between the academic qualification and the auditor's evaluation of the companies going concern. The higher the qualification is, the better the evaluation of the going concern will be. The researcher found that there is an effect between auditors qualification in Jordan to evaluate the going concern. On the other hand, this result contradicts a previous study by Thneibat (1991), where he found a weak relationship between the academic qualification and the auditor's evaluation of the company's going concern since all auditors can evaluate the going concern and have scientific qualification starting from the bachelor degree to the ph.D. Therefore, the effect of the academic qualification on the auditor's evaluation of the company's going concern does not has any significance. In another study, Beattie and Fernley (1995) found that there is a negative relationship between the academic qualification and the auditor change. This dimension (academic qualification) has a big effect on the auditor change. Then, Basodan et al 2004, used five points Likert Scale to measure the academic qualification effect on the auditor change. The result stated that there is a positive relationship between academic qualification and the auditor change. Hence, this research posited the following hypothesis:

Hypothesis 1: There is a relationship between academic qualification and the auditor evaluation of the company's going concern.

3.2.2.2 Study Major (SMAJOR)

Thneibat (1991) found that there is a weak relationship between major and the auditor's evaluation of the company's going concern because the majority of auditors

have accounting major. So, the researcher makes a point of that there is no effect and significance between the auditor's major and his evaluation of the company's going concern.

On the contrary, study major affects the ability of the external auditor to evaluate the company's going concern (Asfor, 2003). It measures whether the external auditor has the knowledge and competence of auditing or not. In Jordan, qualified auditors must have at least a Diploma in accounting. On the other hand, Bachelor, Master's and PhD. graduates who have economics, business administration or general administration majors must have the minimum requirements of accounting courses (24 credit hours). Consequently, the researcher hypothesis is as follows:

Hypothesis 2: There is a relationship between study major the auditor and his evaluation of the company's going concern.

3.2.2.3 Experience in Auditing (EAUDIT)

Obviously, the practical experience of the external auditors has a great effect on their performance when evaluating the going concern of companies. (Ashton, 1991; Asfor, 2003; Bashtawi and Sufian, 2003; Tomczyk, 1996; Hmeid, 1995; Kasharmeh, 2003; Wallace and Wanda, 1998). The more experienced and knowledgeable the auditor is, the more he is able to discover the errors and deviations in the financial statements on the contrary of the less experienced auditors who have incorrect practices as a result of the lack of experience. Companies that deal with well-known and experienced auditors get more investments since creditors and investors rely on the information more if that information released from a well-known auditor.

In relation to that, Matter (2000) showed that there is a positive relationship between the experience in auditing and the auditor's evaluation of the companies going concern. Consequently, the bigger the experience in auditing is, the better the evaluation of going concern is. In addition, he asserted that auditors in Jordan do not have enough experience in auditing to evaluate the going concern.

In the earlier study, Thneibat (1991) verifies that there is a weak relationship between the experience in auditing and the auditor's evaluation of the company's going concern. In particular, there is no effect and significance between the auditor's experience in auditing and the auditor's evaluation of the company's going concern. Accordingly, the following hypothesis is proposed:

Hypothesis 3: There is a relationship between the experience in auditing and the auditor's evaluation of the company's going concern.

3.2.2.4 Experience in Accounting Before the Auditing (EACCOUN)

In this study, the researcher adopts the definition of experience in accounting by Al-Amoudi (2001) that is, when the auditor desires to get a license in auditing, he must have practical experience in accounting or auditing after he gets a qualification as accountant. The researcher also showed the extent of experience in accounting for each qualification as follows: four years for Bachelor degree, two for Master, and one year for PhD. i.e. the experience in accounting will reduce the errors in audit and thus, auditor performance will improve to evaluate the companies going concern. Hence, this research posited the following hypothesis because the experience in

accounting before practicing auditing is an important factor and whether that experience affects the auditor's evaluation of the company's concern.

Hypothesis 4: There is a relationship between the auditor's experience in accounting and the auditor's evaluation of the company's going concern.

3.2.3 Auditing Related Factors

3.2.3.1 Audit Fees (AFEES)

In particular, audit fees have a crucial role in the audit work. They affect the auditor's performance and the auditing quality. So, audit fees are means that help to support the auditor's independence and improve his performance. Therefore, many researchers studied the relationship between the audit fees with other factors such as auditor's independence, audit quality, and auditor performance. Accordingly, previous studies stated that there is a positive relationship between the audit fees and the auditor's independence (Sumunica, 1980; AICPA, 1978; Palmors, 1986; Francis and Simon, 1987; and DeAngelo, 1981). On the other hand, Matar (1994) found that the audit fees negatively affect the auditor's independence. In relation to that, Basodan et al. (2004) showed that when the audit firm depends on the audit fees in its revenues, it becomes less independent. Another study by Cohen Commission in AICPA (1988) considered that the low amount of fees directly threatens the auditor's independence. So, the relationship is positive between the audit fees and the auditor's independence (Simon and Francis, 1988).

In another literature, Deis and Giroux (1996) referred to the fact that when the auditor gets less fees, it will lead to a less effort by him in addition to the auditor

failure in his report about the discovery of errors that threaten the going concern. On the other hand, when he gets more audit fees, there will be less litigation risk against him and the audit quality becomes better. Thus, there is interactive between the auditor fees and his independence and low audit fees threat auditor's independence (AICPA, 1978). Moreover, Ashton (1990) said that the increase in the financial motives leads to improve the auditor's performance. Those studies referred that there is a positive relationship between the financial motivations and the auditor's performance. Therefore, the auditor's performance becomes of low quality when the financial motivations become lower.

Additionally, Bashtawi and Suleiman (2003) confirm that low audit fees negatively affect the auditor's performance. Besides that, Siam (2003) found that the higher the audit fees, the more the auditor's independence will be. This means that there is a positive relationship between the auditor's fees and his independence. In addition to that, companies tend to decrease their expenses by selecting low fare auditors. This leads to competition in the market through the frequent change of auditors, which affects the auditing quality negatively. Finally, Beattie et al. (2001) found a positive relationship between audit fees and non-audit services. In particular, the big six audit firms receive higher audit fees than non-big six firms. Therefore, the related hypothesis is proposed:

Hypothesis 5: There is a relationship between the audit fees and the auditors' evaluation of the company's going concern.

3.2.3.2 Social Relations (SOCIALR)

Bashtawi and Suleiman (2003) results show that social relations between the auditor and the management have negative effects on the auditor's performance. Furthermore, Basodan et al (2004) used five points Likert Scale to measure the personal relationship effects on the auditor change. The result was that there is a positive relationship between the personal relations and the auditor change. This scale starts from very important (five points) to never important (one point) to give a numerical scale to the responses on the questionnaire to help conducting the analysis. Therefore, auditors should keep away from any effects that may influence their duty in evaluating the company's going concern. Maintaining a close relationship with the company's administration will expose the auditors to some pressures, which affects their independence negatively. Hence, the following hypothesis is proposed:

Hypothesis 6: There is a relationship between the social relations between the auditor and the management and his evaluation of the company's going concern.

3.2.3.3 Company Fraud (ADFRAUD)

In reality, company fraud is very important since the auditor cannot evaluate the company's going concern unless he gets all the necessary information about that company (AL-Basheer, 2003) Hiding any information by the management or if that information is vague and incorrect makes the auditor unable to discover the cause of losses, which affects the auditor's evaluation of the company's going concern and might lead to failure of that company.

Furthermore, the financial and non-financial information are essential to the external auditor if the company's management is serious about evaluating the company's

going concern. A good first step is a report that details the company's going concern with no hidden information by the management. The significant information reveals some important outcomes: (1) Vital auditor decision about the company's going concern. (2) To overcome the going concern problems. (3) To help the investors make their investments decisions. Therefore, Matar (2000) study show that the vital information is very important to evaluate the going concern that is, the more accurate information the better the evaluation of the going concern will be. Then the researcher found there is a positive relationship between the information provided by the management to the external auditor and the auditor evaluation of the company's going concern.

On the other hand, this result contradicts a previous study by Thneibat (1991), which showed that there is a weak relationship between the information hidden by the management and the auditor's evaluation of the company's going concern. In relation to that, some companies' managers make entice to the auditors to hide some information or distort and misstate that information to the shareholders (Chi-Wen et al., 1988). In this study, the company fraud about hiding information is a factor that negatively effects the auditor's evaluation of the companies going concern. Hence, the following hypothesis is duly outlined:

Hypothesis 7: There is a relationship between the company fraud and the auditor's evaluation of the company's going concern.

3.2.3.4 Consultant Services (CONSSER)

Consultant services (non-audit services) means assistance offered by the external auditor or the audit firm to his agent, such as: (1) Tax Services; (2) Management Advisory Services (MAS); (3) Small Businesses, Non-audit Accounting Services; (4) MAS Engagement and MAS Consultation. Thus, consultant services can be used as a management tool to assess, assist the internal audit, and improve the financial performance in the company (Al-Momani, 2004). In effect, many studies show that there is a negative relationship between the non-audit services and the auditors' independence (Shockly, 1981; Titard, 1971; Hartly and Ross, 1972). This result is supported by another research by Matar (1994), who notes that there is a negative relationship between the consultant services and the auditor independence. On the other hand, this result contradicts a previous study by Goldman and Barlev (1974). They found that there is a positive relationship between the consultant services and the auditor independence. In addition to that, Briloff (1968) found that 88% of auditors, who were working in the biggest eight audit firms in USA, said that there is no opposition between the auditor's independence and the consultant services. 50% auditors who also worked in other firms had the same opinion, which means that there is no effect on the auditor's independence with regard to the consultant services given. In another literature, a study was conducted by Ross and Hartley (1972). They found the non-audit services do not affect the auditor's independence. In contrast, Yamani (1991) in his study proposed that the bigger the consultant services are, the lower the audit firms independence is. He also found that there is no relationship between the consultant services and the auditor's independence. This result was supported by Siam (2003). He pointed out that there is no relationship between the consultant services and auditor's independence.

Nevertheless, some studies state that the financial statement users believe that the auditor's independence will be impaired if the external auditor performs MAS for his client (Pany and Reckers 1983, 1984; Reckers and Stagliano 1981; Shockley 1981; Firth 1980). On the contrary, others do not see any significant effects (Pany and Reckers 1988; McKinley et al. 1985). There are some arguments to prevent the auditors to perform non-audit services to their clients such as: business relationship will increase the audit fees, make the client interested to the auditor and the auditor might cloud his judgment in order not to lose the client (Susan et al., 2001).

Moreover, Simunica (1984) developed a model of the demand for the audit and non-audit services based on the concept of economic bonding and audit fees. He found out that big non-audit services purchasers were more than small non-audit services purchaser. So, the increased fees associated with performing both audit and non-audit services increase the economic bond between auditor and client. The risk here is that this bond may cause the auditor to be less willing to oppose his client on accounting and auditing matters.

Besides that, giving those services to the company by the auditor makes him its defender. He will feel that his reputation as a consultant is related to the reputation of the company, which obliges him not to take any action that might affect the reputation of that company. In addition to that, it will make the auditor close to the company's administration, providing a chance for a personal relationship between them and then affecting his independence. On the other hand, some companies may ask the auditor to give them consultant services or to be changed, which reduces his

ability to report objectively about any going concern problems. Consequently, the following hypothesis is proposed:

Hypotheses 8: There is a relationship between the consultant services and the auditor evaluation of the company's going concern.

3.2.3.5 Hiring and Dismissing of the Auditor (Change of the Auditor) (HIRDISM)

Overall, most of the prior researches suggest that there is a negative relationship between the change of the auditor and the auditor's independence. For example, Matar (2000) showed that there is a negative relationship between the fear of the auditor from being changed and his decision about going concern in his report. Consequently, the evaluation of going concern will be of low quality.

On the other hand, the US Senate (1976) recommended that it is necessary to change the external auditor periodically to support his independence, because if the auditor works for a long period for his agent, a strong personal relationship will be established between them, which negatively affects the auditor's independence (SEC,1978). But, Simunica (1980) said that the strong relationship between the external auditor and his agent leads to support the auditor's independence. This means that the less chance of the auditor change will support his independence. Consequently, there is a negative relationship between the change of the external auditor and his independence. In line with that, Matar (1994) corroborated that there is a negative relationship between hiring and dismissing the auditor and his independence.

In relation to that, (Sarhan et al. 1991) points out that there is a positive relationship between the qualified report and the auditor change in the next year to his report. So, the frequent change of the auditor will lead to a weakness in his report (Teoh, 1992). On the other hand, Citron and Taffler (1992) conducted a survey study on 107 English Companies that announced their failure. They found that there is 26% (about 28) of the companies received reservations in the auditor report related to the companies going concern. This showed the fear of the external auditors from being changed because they did not issue the reservations in their reports. We notice here that there is a negative relationship between the auditor change and his evaluation to company's going concern. As a result, this variable negatively affects the auditor's decision about going concern.

In reality, Chow and Rice (1982) said that there is a positive relationship between the qualified report and the auditor change. But Schwartz and Menon (1985) and Williams (1988), said that there is no relationship between the qualified report and the auditor change. Hence, (Krishnan et al., 1996) found a positive relationship between the qualified opinion and the auditor change. Besides that, Gul and Wah (2000) found that when the qualified opinion is higher, the auditor's independence is lower because the auditor is changed by the management.

As mentioned earlier, Schwartz and Menon (1985) reviewed 132 companies that went bankrupt and 132 active companies. They found a positive relationship between the qualified opinion and the auditor change, because managers, who went bankrupt do not like to show the reservations in the reports. Roberts et al. (1990) studied 358 Public Companies in USA that have failure. They used multiple regressions and

found that there are some dimensions that affect the auditor change such as the audit fees and the qualified opinion. On other hand, Deberg et al. (1991) said that there is no relationship between the non-audit services and the auditor change. While Beattie and Fearnley (1995) showed that the amount of the audit fees and management change were main reasons to the auditor change in the UK. In addition to that, Gregory and Collier (1996) said that there is a positive relationship between the auditor change and the reduction of his fees by the management. In other researches, they stated that the management change leads to the auditor change because of the personal relations (Defond, 1992; Beattie and Fearnley, 1995; Woo and Koh, 2001).

Basodan et al. (2004) reveals that there is a positive relationship between the auditor change and the personal relationship; the better the personal relations, the lower the possibility of the auditor change. On the other hand, the management prefers to pay less audit fees, which means that low audit fees result in lower possibility of auditor change (Roberts et al. 1991; Beattie and Fearnley 1995; Addams et al., 1996; Gul and Wah 2000; Hackinbrack and Hogan, 2002). Hence, other studies found that there is no significant relationship between the audit fees and the auditor change through using Multivariate Cross Sectional Analysis (Baber et al., 1987). However, Siam (2003) asserted that there is a negative relationship between hiring and dismissing the auditor and the auditor independence. The frequent change of the auditor by the management results in lower independence.

Nevertheless, Thneibat (1991) emphasized that there is a positive relationship between the academic qualification and assigning the auditor. The author also found that there is a positive relationship between the practical experience and assigning

the auditor. Then, the researcher proved that there is a positive relationship between the personal relations and assigning the auditor.

In fact, hiring and dismissing the auditor has a big negative influence on the auditor's independence in evaluating the company's going concern especially when the board of directors controls hiring and dismissing the auditor (AL-Amoudi, 2001). The level and quality of auditing depends largely on this factor. Sometimes, the auditor does not depend on facts in his evaluation of the company's going concern, but on the fear of being changed, which affects the level of disclosure in his report, leading to a low level of auditing. Consequently, the researcher hypothesis is as follows:

Hypothesis 9: There is a relationship between hiring and dismissing the auditor and his evaluation of the company's going concern.

3.2.3.6 Size of the Audit Firm (SIZEAF)

Priscilla and Devine (1995) aimed to know the effect of the audit firm size on the auditor's decision related to companies going concern problems. They found that there is a positive relationship between the audit firm size and the auditor's decision about the going concern problems. The results showed that big size firms are more able to evaluate the companies going concern. This result is supported by another research by Matar (2000), who states that big firms take more accurate decisions about the going concern. In addition to that, (Titard, 1971 and AICP, 1978) stated that auditors who work in big firms are more independent than those who work in smaller ones. Matar (1994) also found that there is a positive relationship between the size of the audit firm and the auditor's independence - When the external auditor

works in a big audit firm, he becomes more independent. Abo Zaid, 1985; Yamani, 1991; and Siam, 2003, also supported the same result, which states that when the external auditor works in a big audit firm, he becomes more independent.

On the other hand, Hummedat (2002) developed his hypothesis, which was related to the audit quality. He stated that there is no relationship between the audit quality and size of the audit firm. Based on the multiple regression results, the researcher rejects this hypothesis at significant level of .05. This means that there is a positive relationship between the audit quality and size of audit firm. The big audit firm gives a better audit quality. The same result founded by Krishnan and Schauer (2000). Accordingly, Shokley (1981) found that there is a positive relationship between the small size audit firms and the auditor independence.

In light of the existing findings of the research concerning the relationship between the auditor evaluation of the companies going concern and size of the audit firm, the following hypothesis is advanced:

Hypothesis 10: There is a positive relationship between the audit firm size and the auditor evaluation to the company's going concern.

3.2.3.7 Legal Disputes (LEGALDI)

In this study, the researcher adopts the definition of legal disputes by Matter (2000). The legal disputes against the auditor by the agent (company management) negatively affect the auditor's performance quality in evaluating the companies going concern. When the auditor has independence and does not fear legal disputes, his performance to evaluate the companies going concern becomes of higher quality. Therefore, legal disputes are of great importance in the auditing process. Auditors and auditing firms may suffer big losses and lose their credibility because of the legal disputes, which influences their independence in evaluating the company's going concern in addition to the audit quality (Abbott, 1994; Subhi and Thneibat, 2006; Palmrose, 1988). Hence, the following hypothesis is proposed:

Hypothesis 11: There is a negative relationship between the legal disputes and the auditor evaluation of the company's going concern.

3.2.3.8 Competition Among Auditors (COMPETI)

Competition between auditors to get a new agent (company) negatively affects the auditor's independence and his evaluation of the company's going concern. For example Shocly (1981) observed that there is a negative relationship between the auditors competition to get new agents and their independence. So, when the competition increases, the independence of the auditor will be lower. Therefore, the auditor's independence becomes at risk (Beams and Killough, 1970). In addition to that, competition between the audit firms is considered the biggest problem in USA (AICPA, 1978). Generally, the higher the competition between the auditors, the lower their independence will be. Matter (1994) confirms this reality and points out

that there is a negative relationship between competition and the auditor's independence.

Besides that, studies by Basodan. et al. (2004), Yamani (1991), and Bashtawi and Suleiman (2003) concluded that there is a negative relationship between the auditor's competition and their independence. The higher the competition between the auditors the lower is their independence. So, competition between auditors negatively affects the auditor's performance in the evaluation of the company's going concern. In relation to that, the competition between the external auditors is of great importance in affecting the independence of the auditor, which affects his evaluation of the company's going concern this encourages companies to change an auditor to decrease the auditing fees, which negatively affects the auditor's independence. Therefore, the related hypothesis is proposed:

Hypothesis 12: There is a negative relationship between the auditors' competition and the auditors' evaluation of the company's going concern.

3.3 Methodology of the Study

3.3.1 Research Design

The basic research design utilized for this study is a survey design. There is one set of data collection: primary data. The collection of primary data is accomplished using a personal survey instrument. Data is collected from the personal survey instrument (questionnaire) in measuring the external auditor evaluation of the company's going concern ability. The respondents are the external auditors in Jordan.

3.3.2 Sample and Data Collection

a. Sample

The population used in this study are the external auditors in Jordan. There are currently 473 external auditors for the year ended 2007. The questionnaire is sent to all population of this study.

b. Data Collection

Primary data is used in this study. It is collected by using personally administrated questionnaires to obtain external auditors' perspectives concerning the going concern evaluation in the public shareholding companies in Jordan.

c. Unit of Analysis

The unit of analysis defined in this study is the external auditors' of the public shareholding companies. "473 an of them".

3.3.3 Research Instrument

In relation to this study, prior to the questionnaire, the attributes of the going concern indications, demographic factors and auditing-related factors were identified through the literature review in Chapter Two. The researcher designed the questionnaire after obtaining sufficient going concern indications, demographic factors and auditing related factors through literature review and ISA No.570. In doing so, it consisted of two parts as follows:

The items in the questionnaire are selected based on going concern indications (dependent variable), and to demographic factors and auditing-related factors

(independent variables). The external auditors' were asked to state their specialization, qualification, experience in accounting before auditing and experience in auditing. Arabic language was used in the questionnaire. They were translated by two professional translators from English to Arabic and vice versa. A five-point Likert Scale was used regarding the going concern indications, and the auditing-related factors.

The points were: (1) strongly disagree (2) disagree (3) neutral (4) agree and (5) strongly agree.

Appendix A shows an example of the questionnaire that are sent to the external auditors. The external auditors were asked to indicate, on five-point Likert Scale, the opinion they place on each of the 152 items pertaining to the external auditor evaluation of the company's going concern ability in addition to the auditing-related factors. The items in this scale were:

1. Indication of Going-Concern

a. Financial indications

- | | |
|--|---------------------------|
| a1. Current liabilities more than current assets | section B Items = a; 1-4 |
| a.2. Loans Problems | section B Items = a; 5-12 |
-

a.3. Financial ratios	section B Items = a;13-17
a.4. Frequency of operating losses	section B Items = a; 18-22
a.5. Late or non-profits distribution	section B Items = a; 23-27
b. Operating Indications	
b.1 Change management	section B Items = a; 28-32
b.2. Main market losses	section B Items = a; 33-36
b.3. Difficulties with workers or decrease in Important supplies	section B Items = a; 37-41
C. Other Factors	
c.1Non-commitment of requirements related to capital.	section B Items = a; 42-46
c.2 Litigation	section B Items = a; 47-50
c.3. Legislation	section B Items = a; 51-55
2. Factors that Affect the External Auditor Evaluation of the Company's Going-Concern Ability as follow:	section B Items= b
1. Audit fees	=b; 1-17
2. Social relation	=b; 18-27
3. Management fraud	=b; 28-35
4. Consultant services	=b; 36-42
5. Hiring and dismissing of the auditors	=b; 43-61

6. Size of the audit firm	=b; 62-72
7. Legal disputes	=b; 73-87
8. Competition	=b; 88-97

3.3.4 Operational Definition and Measurement of the Variables.

Only 12 independent variables proceeded for analysis. The guidelines recommended by Sekaran (2003), Hair, Bush and Ortinau (2000) were used as operational variables of this study. Thus, the following paragraphs describe how each variable is operationalised. In line with that, a composite or index measure is a multi-item instrument constructed to measure a single concept and items related to dimensions that are combined of a composite measure (Zikmund, 2000).

In this study, the researcher regards the going concern indications according to ISA No.570 as proxy for the auditor's evaluation of the company's going concern. Thneibat (1991), Al-Amodi (2001) and Shwiyat (2004) survey the going concern indications that provided the items concerning the auditor's perception of the evaluation tools. Those items were adapted to this study, using a five-point Likert Scale. In all cases, the value of “1” implies that the auditor's evaluation of the going concern is not perceived as important, while “5” is considered very important. The researcher then used composite measure for the items as a measure of the auditor's evaluation of the company's going concern. The composite measure of overall AECCG was created by summing across the three dimensional values according to the guidelines recommended by Zikmund (2000) and Hair et al. (2006). This is similar to the application of this matter in Al-Amodi (2001) and Shwiyat (2004).

.Accordingly, to measure the AECGC (dependent variable), this study employed 55 dimensions as showed in Appendix A. When the lowest total point is 55 (1 x 55 items), it implies that the AECGC of the respondent is low or bad. If the total point is at maximum, which is 275 (5x 55 items), it means that the respondent's AECGC is high or good. The items in relation to going concern indications can be referred to in Appendix A. pilot testing was conducted by administering the items so that questions are related and valid for the final survey.

On the other hand, the independent variables that consisted demographic factors are level of education, specialization, experience in auditing in addition to experience in accounting before auditing and auditing-related factors such as auditor's fees, social relations, administration fraud, consultant services (non-audit services), hiring and dismissing the auditor, size of the audit firm, legal disputes and competition.

a. Academic Qualification (QUALIFI)

To measure academic qualification, questionnaires were designed and consisted of items through five points Likert Scale (Basodan et al 2004; Matter, 2000; Siam, 2003).

On the other hand, the researcher will measure the academic qualification variable as Diploma, Bachelor's degree, Master's degree, PhD, and If others, please specify and could be represented by nominal scale, x_1 , x_2 , x_3 , x_4 , and x_5 . For example when the respondent is Diploma $x_1 = 1$; Bachelor's degree, $x_2 = 2$; Master's degree $x_3 = 3$; PhD, $x_4 = 4$; others, $x_5 = 5$. (Hair et al., 2006).

b. Major (MAJORS)

Siam (2003) used five points Likert Scale to measure the effect of study major on the auditor's independence.

In this study, the researcher used study major as a nonmetric variable. Therefore, to measure this variable the researcher used nominal scale and asked the subjects through the questionnaire "Please "circle" the appropriate choice related to the auditor's specialization such as Accounting, Management, Economics, Finance, or if others, please specify. Nonmetric variables could be represented by nominal scale, x_1 , x_2 , x_3 , x_4 , and x_5 . For example; when the respondent's major is accounting, $x_1 = 1$; if management, $x_2 = 2$; economics, $x_3 = 3$; finance, $x_4 = 4$; if others $x_5 = 5$. (Hair et al., 2006).

c. Experience in Auditing (EAUDIT)

Reckers (1985) asserted that CPA firm experience was consistent with its reputation. However, Briscilla and Devine (1995) asked the subjects if they had less than two years of audit experience. Auditors who have less than two years experience were measured that they have insufficient experience to complete the task. The researchers ranged the experience levels from 2 to 20 years.

Furthermore, some studies measured experience in auditing by designing questionnaires that consists of items that need answer through a five point Likert-Scale (Matter, 2000; Siam, 2003).

In relation to this study, the researcher used experience in auditing as a continuous variable. Therefore, to measure this variable the researcher asked the subjects through the questionnaire “please specify your experience in auditing”.

d. Experience in Accounting (EACCOUN)

The researcher used experience in accounting in the current study as a continuous variable. Therefore, to measure this variable the researcher asked the subjects through the questionnaire “please specify your experience in accounting before auditing”.

e. Auditing Fees

The measurement of size in the charity sector is not straightforward. So, to allow for different organizational sizes, the basic measure adopted for comparison is audit fee scaled by organization size. i.e., audit fee per pound of revenue, with revenue measured as total incoming resources (charities) and total sales (companies): two alternative scale measures, total assets and total funds, are also used to check sensitivity (Beattie et al. (2001). The researcher used mean and median to measure the level of the audit fees relative to organization size. According to AICPA (1997), the audit fees should be independent of the net income of the audited firm.

Consequently, Deis et al. (1996) found that the primary contribution of this study is that the effects of ‘low-bailing audit fees’ is tested in light of direct audit quality measure tanks. Hence, Baber and Ricks (1987) said that the population and personal income measures are from the Bureau of the Census.

In fact, Woo and Koh (2001) on the other hand, used the ratio of the years preceding the auditor-change in order to measure the audit fees. Accordingly, Basodan et al (2004), Matter (1994) and Siam (2003) used five points Likert Scale to measure the audit fees effect on the auditor change and independence.

Consequently, in this study, the instrument consists of 17 items that five-point Likert Scale, whereby the value "1" means strongly disagree, which means that it's not important meanwhile, the value "5" strongly agree, which means that it's very important. The questions were adapted from Siam, 2003; Matter, 1994; and Basodan et al. 2004. When the lowest total point is 17 (1x17 items), it implies that the respondents perceived the audit fees as not important (indicating the low level of the effect of the audit fees). If the total point is at maximum that is, 85 (5 x 17 items), it means that the respondents perceived the practice of audit fees as important (indicating high level of the effect of the audit fees).

f. Social Relation (SOCIALR)

Firth (1980) considered prior experience of auditor-client relationships and biased audit reports. To measure this variable, the subjects were asked the question (Have you any experience of, or strongly suspected, that the auditor had a relationship with his client that he gave a biased report?). Thus, to measure this variable the researcher gave score on a scale (1 unimportant) to (9 very important).

In line with that, Basodan et al (2004) used five points Likert Scale to measure the effect of the personal relationship on the auditor change.

In this study, the construct was operationalized by 10 items an instrument which was adapted from Basodan et al. (2004) and Firth (1980). The questions focused on social relations between the external auditor and the company's management. Response to these questions were made on continues (5-point likert scale) “strongly disagree, disagree, neutral, agree, and strongly agree” interval scale. If the score is 10 (1x 10 items) that is strongly disagree, it means that the practices of the social relations of the external auditor with the management and the effect of the social relations on the AECGC is low. Thus, this indicates that there is no effect in social relations. On the other hand, when the score is 50 (5 x 10 items); all strongly agree, it means that social relations by the external auditor with the management highly affect the AECGC. Thus, this indicates that there is an effect in social relations.

g. Management Fraud (ADFRAUD)

Briscilla and Devine (1995) and Matter (2000) designed questionnaires that consisted of items with a five points Likert Scale to measure company fraud.

In doing so, the researcher in this study used 8 items instruments focusing on the company fraud in relative to AECGC issue which were adapted from Matter (2000) and Briscilla and Devine (1995). Response to these questions were used 5-point likert scale ranging as “strongly disagree, disagree, neutral, agree, and strongly agree” interval scale. When the score is 8 (1x 8 items) strongly disagree, it means that the practices of the management fraud by management and the effect of the management fraud on the AECGC is low. Thus, this indicates that there is no obstacle in practicing of management fraud. On the other hand, when the score is 40 (5 x 8 items) all strongly agree, it means that the practices of the management fraud

by management and the effect of the management fraud on the AECGC is high. Thus, this indicates that there are obstacles in the practice of management fraud.

h. Consultant Services (CONSSER)

Simunica (1980) measured MAS by fees paid to external auditors. In this respect, the concept of consultant services measurement was introduced in the 1991 based on Yamani's survey (1991) to measure the consultant services that affected the auditor's independence. He used progressive scale started from 1 to 7 where 1 presented low danger, 7 presented very high danger to show the level of danger that affected the auditor's independence. Also, some authors used 5-point likert scale to measure consultant services (Basodan et al., 2004; Matter, 1994; and Siam, 2003).

In relation to this study, to measure the non-audit services, seven-item questions were used, adapted from Yamani (1991), Matter (1994), Basodan et al. (2004), and Siam (2003).

The researcher used reliability test to these questions and made a continuous “strongly disagree, disagree, neutral, agree, and strongly agree” interval scale. When the score is 7 (1x 7 items), it means that the consultant services have low effect on the AECGC, but if the score is 35 (5 x 7 items), it means that the consultant services have a big effect on the AECGC.

i. Hiring and Dismissing of the Auditor (Auditor Change) (HIRDISM)

Chow et al., (1982) asserted, the company will tend to switch the auditor after receiving qualified opinion. Therefore, to test this assumption, the author used a Chi-square analysis on the 141 firms which received qualified opinions and then switched auditors. On the other hand, Burton and Roberts (1967) stated that the major causes to auditor switch were accounting standards disputes. The other switches were also related to changes in management and additional services.

In reality, Schwartz and Menon (1985) used chi-square statistic, which measures the model's overall fit. In doing so, some studies used five points Likert Scale to measure this variable (Beatty and Fernley, 1995; Matter, 1994; Shwiyat, 2004; Siam, 2003). On the other hand, Yamani (1991) measured this variable by using progressive scale that started from 1 to 7. This is a numerical scale and also an interval scale.

In this study, the researcher regards the prior questionnaires. Therefore, the instrument also used five-point Likert Scale, whereby the value 1 means not important and 5 means very important. The questions were adapted from (Siam, 2003; Yamani, 1991, and Mater, 2000). When the lowest total point is 19 (1x19 items), this implies that the respondents perceived the practice of selecting and dismissing the auditor as not important (indicating the low level of effect on selecting and dismissing the auditor). If the total point is at maximum that is, 95 (5 x 19 items), it means that the respondent's perceived the practice of selecting and dismissing the auditor as important (indicating high level of effect on selecting and dismissing the auditor). In addition to that, five point Likert Scale are used to measure this variable where 1 is strongly disagree and 5 is strongly agree.

j. Size of the Audit Firm (SIZEAF)

Beattie et al. (2001) pointed out, that the size of the audit firm based on total assets and total funds. In addition to that, industry size was measured by revenues earned (Chow et al., 1982). On the other hand, Krishnan and Baul (2000) measured this variable by using multivariate regression analyses. Hence, the researchers used another measure of audit firm size, based on the number of professionals employed by the firm. The firm size can also be measured by the brand name of the auditor. The researcher also said that some studies used indirect measures such as audit fees or auditor litigation or users' perceptions about audit quality.

In this respect, the audit firm size is measured by using the number of professionals, and then the bivariate relation between audit firm size and the audit quality was examined by looking at the correlation between audit firm size and the audit quality.

Gregory and Collier (1996) used total assets to measure the audit firm size. In addition to that, Brinn and Peel (1993) used multiple measures to measure the audit firm size such as, sales, number of employees and assets.

In fact, Woo and Koh (2001) used the square root of total assets (inflation-adjusted) to measure the firm size.

On the other hand, there are differences in manner in which the firm size is operationalised in the various studies. Past study used a number of indicators to measure firm size. According to Matter (1994), he referred to the number of the Jordanian auditors in audit firms, and then the researcher depended on two standards to identify the big firms as follows:

1. The number of the external auditors in the audit firm is ten auditors or more.
2. The audit firm performs auditing to three public shareholdings companies that are registered in the Amman stock Exchange.

In addition to that, the audit firm has many branches. Besides, the big audit firms have more reputation than small ones. Those standards are the most appropriate indicators of firm size. In practice, both quantitative and qualitative criteria are used to define the firm size. However, in Jordan, the definitions are only based on fixed quantitative criteria such as the number of auditors. For example, several previous studies designed a questionnaire based on five points Likert Scale to measure this variable such as (Matter, 2000; Matter, 1994; Siam, 2003; and Basodan et al 2004). In the earlier study, Yamani (1991) used progressive scale started from 1 to 7 to measure firm size.

On the long run, in this research, the researcher adapted the items in the previous questionnaires to fit this study. Then, he uses a number of auditors as proxy for firm size. Because the respondents are representing the audit firms, the researcher also get their responses to measure the relationship between the size of the audit firm and the AECGC through the use of the five point Likert Scale (strongly disagree, disagree, neutral, agree and strongly agree).

Hence, auditors' undertake the responsibility to comply with ISA No. 570 to improve AECGC and to know the affect of the size of the audit firm on the AECGC. It is operationalised using eleven-item instrument. The items were interval on a five point Likert Scale that is, 1(strongly disagree) indicating the low level of effect on the AECGC through 5 (strongly agree) indicating high level of effect on the AECGC.

The score for the construct is ascertained by totalling the responses to various items to measure the construct in question. When the lowest total point is 11 (1x11 items), it implies that the respondents do not institutionalized size of the audit firm. If the total point is at maximum that is, 55 (5 x11 items), it means that the respondents institutionalized size of the audit firm.

k. Legal Disputes (LEGALDI)

Chi-Wen (1998) showed that the auditors' legal liability of investors is a significant aspect of auditing. Moreover, the researcher presents a simultaneous analysis of auditors' liability and auditor's independence.

Recently, Nogler (2008) showed the impact of outliers on the auditor's decision and on the differences by firm size. The auditor makes his judgment about going concern modification on a client's financial statements. He suggested two ways regarding the going concern to his client such as the going concern modification to client that does not fail or the going concern modification to client that does fail whether or not total assets are used to measure the outliers (only 18 firms were identified as outliers in the population size of 1,204). In this respect, the companies' failure occurred because of the failure of auditors' behaviour not because of these companies aberration.

In Enron's bankruptcy case, failure used to measure the combined impact of Enron's failure and Arthur Andersen's legal issues and ultimate demise on the auditor's going concern modification behaviour. In this respect, Subhi and Al-Thnaibat (2006) used five points Likert Scale to measure auditor's legal liabilities toward the third party.

This study adapted some questions from previous studies such as Subhi and Thneibat, (2006) by using a five point Likert Scale. When the lowest total point is 15 (1 x 15 items), this implies that the respondents perceived the practice of legal disputes as not important (indicating the lowest level of the effect of legal disputes). If the total point is at maximum that is 75 (5 x 15 items), it means that the respondent's perceived the practice of legal disputes as important (indicating the highest level of effect of the legal disputes).

L. Competition (COMPETI)

Baber and Ricks (1987) pointed out that competition measure is computed through the information provided by the North Carolina Association of County Commissioners. In relation to that, many authors used five point Likert Scale to measure the effect of competition on the auditor's change and independence (Basodan et al.2004 and Matar 1994).

In addition, Yamani (1991) also measured the effect of competition on the auditor's independence. Therefore, the questionnaire has a variable with two responses or two probabilities that is the competition level is higher or lower. He used progressive scale that started from 1 to 7. This is a numerical and an interval scale as well.

In reality, competition among auditors' scale (Basodan et al. 2004 and Matar, 1994) was used for this measurement. This is a ten-item instrument to measure competition.

A five-point Likert Scale are used to measure the extent of auditors' institutionalization of competition for AECGC, ranging from 1 (strongly disagree) indicating low institutionalized competition for AECGC through 5 (strongly agree) indicating high institutionalized competition for AECGC. It is ascertained by totalling the responses to various items to measure the construct question. When the lowest total point is 10 (1 x 10 items), it implies that the respondents do not institutionalized competition. If the total point is maximum that is 50 (5 x 10 items), it means that the respondents institutionalized competition.

3.3.5 Method of Data Analysis

Data include responses on a five points Likert Scale questions. The responses for each 473 respondents are displayed in various forms-raw information, frequency distribution, graphs, means, and standard deviations.

The researcher carefully examines the data and discover and correct some errors made during the data entry. In line with that, the study used both descriptive and inferential analysis.

3.3.5.1 Descriptive Analysis

This analysis is used to identify the going concern indications on the external auditor's evaluation on the going concern ability in Jordanian public shareholding companies.

3.3.5.2 Inferential Analyses

The researcher designed the questionnaire according to previous questionnaires and literature review. **Pre-test** is done before **pilot study**. The instrument was pre-tested by ten respondents. The respondents represented external auditors' in Jordan. The pre-test group were asked to review the survey primarily for clarity of questions and time required to complete the survey. The group indicated that the length of the survey was vital. The researcher believes that the length of the survey was justified by the need to establish valid measures for the concepts that were included in the survey. Hence, it was wise to include more questions to test validity. The questionnaire also contained a section on external auditor demographics. Consequently, the results of the pilot study were as follows:

(i) Instrument Validity

The validity of the instrument was tested by a committee of twenty Professors' and lecturers in the accounting sections in at the universities of Jordan, Yarmouk, Applied Science Private University, Al-Albait, Alzaitoonah, Alhashmia and Jordanian. They judged the suitability of each item, clearance, linguistic style and if it measures the auditor's evaluation of the public shareholding companies' going concern in the field it represents. 80% of the reviewers agreed with the instrument offer deleting and amending those items as follows:

1. Items that referred to the auditor's commitment to the ISA were deleted from the questionnaire because it is similar to other items in the questionnaire such as:
 - a. the auditor applies the ISA according to the Jordanian law.
 - b. financial distress that faced the company to judge its going concern.
 - c. financial distress and impending failure of their clients.
 - d. the Jordanian laws state that the external auditor has to use the prediction models to evaluate the company's going concern.
 - e. the ISA state that the external auditor has to use the prediction models.
 - f. the prediction models are better than the audit report in evaluating the company's going concern.
 - g. low of sales volume by the auditor uses prediction models to evaluate the company's going concern, and legal actions against the company.

In addition to that, this study selecting the accounting data according to No. 570 and previous studies since the items 1 to 55 represent this field.

2. Items which are related to the auditor's procedures in field B were deleted such as:
 - a. analysis and discussion of cash flow, profitability and future expectations with the management of the company.
 - b. analysis and discussion of latest available financial statement.
 - c. review of important events after the date of the general budget, profits and losses in order to obtain matters that affect the company's going-concern.
 - d. review of the conditions of bonds and loans agreement and consent on breaking their rules.

- e. demand of legal information concerning the litigations requested by the legal office against the company.
- f. evaluation of the company's status through admissions offered by the agents.
- g. discussion of the points of weaknesses and strengths with the management.
- h. discussing the management alternative plans and their effectiveness to solve the going concern problems.

3. Field C in the questionnaire, which is related to the factors that prevent the auditor from disclosing the problems that threaten the going concern of the company in the report, was deleted because it is similar to other items in the questionnaire such as:

- a. confidential information.
- b. the absence of law commitments.
- c. fear of affecting the agent interests.
- d. fear of losing the agent.
- e. the belief that the disclosure in the financial statement is enough.
- f. fear of legal disputes.
- g. the difficulty to treat the going concern issues.

4. Questions related to the demographic factors were also deleted such as:

- a. the influence of scientific qualification, specialization, experience and age on the auditor's evaluation of the companies' going concern.

5. Questions related to auditing-related factors were also deleted such as:

- a. there is a relationship between some external auditors and company's management.

- b. some auditors practice non-audit services.
- c. legal actions against the auditor related to his evaluation of the company's going concern are available in Jordan.
- d. Competition between the external auditors is available.

6. Some items were also added such as:

- a. auditing fees, the companies' controller, Accountant Auditor Society and the auditing committee, which were added to item no. 68 to agree on the third party who will determine the audit fees.
- b. items 70 and 71, which state the lowest level of fees and guaranteeing its obtaining in addition to the distribution of the auditing tasks fairly.
- c. hiring and dismissing the auditor, companies' controller and the auditing committee were added to item 114 to determine the third party who will hire and dismiss the auditor.
- d. item 125, which state small audit firms stick to the client's desires more than the big offices.
- e. the commitment to the career behavior deters the legal disputes, which affects the evaluation of the going concern positively.

After adding and deleting the items depending on the judges' opinions, there are finally a total of 152 items which made the instrument valid.

(ii) Instrument Reliability

To affirm the instrument reliability, the researcher applied it on a sample of thirty external auditors. The reliability of the instrument used in this study was tested using Cronbach's Alpha. For the purpose of this study, reliability estimate .7 or higher which suggests good reliability, but reliability between .6 and .7 may be acceptable (Hair et al. 2006). In this matter, the reliability results were as follows:

Table 3.1
Cronbach's Alpha Test

No. of items	Variables	Cronbach's Alpha
55	The Auditor Evaluation of the Company's Going Concern	.938
17	Auditor's Fees	.826
10	Social Relations	.855
8	Administration Fraud	.793
7	Consultant Services	.811
19	Hiring and Dismissing of the Auditor	.750
11	The Size of the Audit Firm	.875
15	Legal Disputes	.752
10	competition	.703

In addition to that, researcher also conduct normality and linearity test after collecting the data from the population of the study (473 respondents). Another inferential analysis were also done such as:

a) Factor Analysis

Factor analysis is used to test the factors for sample proportions. This is because factor analysis helps to reduce a vast number of variables to a meaningful, interpretable, and manageable set of factors (Sekaran, 1999). It also shows revealing patterns of interrelationships among variables, detecting clusters of variables and reducing a large number of variables to a smaller number of statistically uncorrelated variables, and the factors of factor analysis that are each linearly related to the original variables (Agresti and Finlay, 1997). Factor analysis will be used to measure construct validity (Hair et al. 2006). This procedure is often used in inferential research and is robust enough to deter type-one errors (Ferguson, 1998).

b) Test of Reliability of the Instrument

- i) Reliability of the instrument indicates the extent to which the treatment variables capture the construct intended to be measured. The reliability of the instrument used in this study was tested using Cronbach's Alpha. Reliability analysis was conducted on the factors extracted using the recommendation of Hair et al. (2006). It is used to test the internal consistency of the measurement instruments.
- ii) Cronbach's Alpha is used to test response credibility of the questionnaire to insure harmony between results and responses of the study sample on the questionnaire. Statistically the accepted value of this measurement is 60% or more. Less than that it is considered poor (Sekaran, 2003 and Hair et al., 2006).

c) Multiple Regressions

Multiple regression techniques are used to determine whether the independent variables: demographic factors (academic qualification, specialization, experience in auditing, experience in accounting before auditing); auditing-related factors (auditor's fees, social relationships, company fraud, consulting services, hiring and dismissal of auditor, size of the audit firm, legal disputes, competition) have an affect to the dependent variable (external auditor's evaluation on the going concern ability in the public shareholding companies in Jordan).

Moreover, for this study, the researcher used multiple regression analysis (standard regression) to test the hypotheses. The test would determine the extent of the interactive effects of independent variables on dependent variable. This is due to the fact that there is one dependent variable, *AECGC*, whose type of measurement was interval while there were several independent variables whose types of measurement were interval and nominal. On the other hand, it is possible to include categorical predictors in a regression analysis using continuous variables (interval variables) (Garson, 2007 and Hair et al. 2006). The attempt was to simultaneously investigate the effects of several independent variables on single dependent variable.

Furthermore, bivariate analysis (involving two variables) and also multivariate regression analysis (involving all the variables simultaneously) are carried out in this study. In order to test the hypotheses, the Pearson Product-moment correlation is used. As each of the hypotheses involved two variables, correlation analysis is also applied (Carver and Nash, 2006).

3.4 Chapter Summary

Past literatures and research have identified the attributes of indications on going-concern and the role of external auditor in evaluating the ability of going-concern in the public shareholding companies in Jordan. This research used survey instruments to provide additional insight into these findings. External auditors in Jordan are the respondents for this study. Data are also to examine indications on going-concern that is demographic factors and auditing-related factors (independent variables) which influences to external auditor evaluation of the company's going concern ability.

CHAPTER FOUR

ANALYSIS AND FINDINGS

4.0 Introduction

The objective of this chapter is to present the results of the data analysis that relates to the topic under investigation: demographic factors, auditing related factors and the external auditor evaluation of the companies going concern. This chapter covers descriptive as well as inferential statistics relevant to the purpose of this study. The basic function of this chapter is to provide information on the data analysis, the response rates and the demographic profiles. This is followed by the factor analysis and discussion of the tests performed to demonstrate the internal validity of the instrument and establish subject response consistency. The tests of the research hypotheses using descriptive and inferential analyses are then discussed. The summary brings together and summarise the activities and procedures deliberated in this chapter.

4.1 Responses Profile

Before examining the results gained from this survey as they pertain to demographic factors, auditing-related factors and the auditor evaluation of the company going concern, the demographic characteristics of the population is first described. By establishing the traits of the respondents, this study begins to assess the extent to which the results are generalizable.

The subjects used in this study were external auditors in Jordan. The instrument measured: demographic factors and auditing-related factors scale for the external auditor evaluation of the companies going concern. The instrument was personally administrated to the subjects.

Table 4.1a shows information on population and return rates of the questionnaire sent to the external auditors in Jordan. Of the 473 questionnaires administered, 42 auditors are working abroad, 44 auditors are working as accountants in Jordanian companies, and 2 auditors died. Eventually 385 subjects were delivered but only 211 responses from external auditors were received resulting in a response rate of 54.8%.

Table 4.1a
Summary of Response Rates

Questionnaires administrated	473
Undelivered	88
Subjects contacted	385
No. of Responses	211
Response rates (211 / 385)	54.8%.

The demographic information was gathered from each subject and the data was collected to address a specific research question. It provides an insight into the subjects and assist in interpreting results of the analysis. The demographic variables are: qualification, study major, experience in auditing, and experience in accounting.

Summaries of the demographic data collected from the external auditor in Jordan are shown in Table 4.1b

Table 4.1b

Summary of Demographic Data on Respondents from External Auditor

Demographic	Characteristics	Frequency	Percentage
Qualification	Diploma	5	2.4
	Bachelors Degree	201	95.3
	Master Degree	5	2.4
Study Major	Accounting	207	98.1
	Management	2	.9
	Economic	2	.9
Experience in Auditing	≤ 2 years	97	46.0
	3-4 years	45	21.3
	5 years and above	69	32.7
Experience in Accounting	≤ 2 years	107	50.7
	More than 2 years	104	49.3

About 2.4% (5) of the respondents hold diploma while 95.3% (201) are bachelors' degree holders and 2.4 % (5) are master's degree holders. From the results, it is observed that the percentage of the external auditors who have the bachelors' degree is higher than the percentage of the external auditors who have diploma and master's degree.

Meanwhile, 98.1 % (207) of the respondents hold degree major in accounting, 9% (2) are management, and 9% (2) are economic holders. Consequently, the percentage of the external auditors who have major in accounting is higher than those with major in management and economic.

The analysis of the results also reveals that 46.0% (97) of the respondents have less than 2 years experience in auditing, 21.3% (45) have 3 – 4 years while 32.7% (69) have experience in auditing more than 5 years. In fact, this result shows that the percentage (46.0%) of external auditors who have experience in audit less than 2 years is higher than who have 3-4 years and more than 5 years. This result shows that the external auditors do not have enough experience in evaluating the company's going concern.

In relation to the experience in accounting, about 50.7% (107) of the respondents have less than or 2 years experience in accounting while 49.3% (104) have more than 2 years. This result tell us that the percentage of the external auditors who have experience in accounting less than 2 years is higher than for those who have experience more than 2 years. Similar to audit experience, respondents also have little experience in accounting.

As mentioned earlier, the qualification, experience in auditing, and experience in accounting are not robust to fulfill the evaluation of the company's going concern.

4.2 Descriptive Statistics

This section displays the distribution of the variables involving the minimum score, maximum score, means, and standard deviations. The researcher depended on the data from the questionnaire, to see how the external auditor in Jordan perceived the extent of the compliance to ISA No. 570 for evaluating the company's going concern. The mean for each item (55 items) is between 3.22 and 4.23. Since it is above average; it shows that the respondents perform the going concern evaluation at above average. For the audit fees, the mean for each item (17 items) is between 2.69 and 3.5 but the total mean is 3.08 more than the average. The results show that the respondents perceived the practice of audit fees as important (indicating middle level of the effect of the audit fees). For the social relation, the mean for each item (10 items) is between 3.01 and 3.78 but the total mean is 3.25. The results show that the social relations by the external auditors with the management affect the auditor evaluation of the company's going concern. For management fraud, the mean for each item (8 items) is between 3.41 and 4.06 but the total mean is 3.68. This means that the practices of the management fraud by management and the effect of the management fraud on the auditor evaluation of the company going concern are high.

The descriptive statistical for consultant services shows that the mean for each item (7 items) is between 2.84 and 3.39 but the score (total mean) is more than the average scale 5 (3.12). Thus, the consultant services have a middle effect on the auditor evaluation of the company going concern. The descriptive statistic for hiring and dismissing the auditor shows that the mean for each item (19 items) is between 2.61 and 3.77. Again, the score (total mean) is more than the average scale of 5 (3.47). This shows that the respondents perceived the practice of selecting and

dismissing the auditor as important (indicating middle level of effect on selecting and dismissing the auditor). For the size of the audit firm, the mean for each item (11 items) is 3.12 and 3.76. Again, the score is more than the average scale of 5 (3.43), which show that the respondents institutionalized size of the audit firm.

The analysis of the results also reveals that the mean score for legal disputes is above the average scale of 5. These results show that the respondents perceived the practice of legal disputes as important which indicates the highest level of effect of the legal disputes. The statistic scores for legal disputes; the mean for each item (15 items) is between 3.18 and 3.96 with total mean is 3.59. Lastly, the statistic scores for competition, the mean for each item (total 10 items) is between 3.17 and 3.66 but the total mean is 3.38. In this case, the external auditor seems to have institutionalized competition.

These findings show that the external auditor evaluation of the company's going concern and the audit-related factors are institutionalized throughout the auditors. Table 4.2 shows the summary of the above discussion.

Table 4.2

Scores of the Auditor Evaluation of the Company Going Concern and the Audit-Related Factors

Variables	Total of the Items	Mean of the Items		Total Mean	Standard Deviation
Minimum	Maximum				
The auditor evaluation of the company going concern	55	3.22	4.23	3.55	.431
Audit fees	17	2.69	3.5	3.08	.665
Social relations	10	3.01	3.78	3.25	.584
Administration fraud	8	3.41	4.06	3.68	.559
Consultant services	7	2.84	3.39	3.12	.610
Hiring and dismissing the auditor	19	2.61	3.77	3.47	.432
Firm size	11	3.12	3.76	3.43	.588
Legal disputes	15	3.18	3.96	3.59	.418
Competition	10	3.17	3.66	3.38	.477

4.3 Goodness of Data

This study regards reliability and validity tests which were conducted on all constructs. Reliability refers to the instrument ability to provide consistent results in repeated uses and an assessment of the degree of consistency between multiple measurements of a variable validity that refers to the degree that the instrument measures (Zikmund, 2000). Consequently, in this study the researcher considered three types of validity tests: content validity, construct validity, and criterion validity (Hair et al., 2006).

4.3.1 Validity

Content, construct and criterion related validity of the questionnaires were established using judgment of professors, associate professors, and lecturers in Jordanian universities in addition to factor analysis, and pearson correlations coefficient. Therefore, this study used validity as follows:

4.3.1.1 Content Validity

Content validity ensures that the measure includes an adequate and representative set of items that tap the concept. A function of how well the dimensions and elements of a concept have been delineated. A measure has content validity if there is a general consensus among judges that the instrument of the study includes items that cover all aspects of the variable being measured (Sekaran, 2003; Hair et al., 2006).

As mentioned earlier, the researcher ensures the content validity of the measurement of the auditor evaluation of the company's going concern. In reality, there are three steps related to content validity such as describing the content domain, determining the areas of the content domain that test item and comparing the structure of the test with the structure of content domain (Muphy and Davidshofer, 1998). In addition to that, Sekaran (2003) and (Walsh) 1995 showed that the kinds of evidence in support of content validity involve steps such as:

- a. The judgment of those who construct the instrument or other experts familiar with the topic area.
- b. Detailed definition or conceptualization and operationalization of the behavioural domain or universe of interest.
- c. Indicate way – high internal consistency reliability.

In this study, the researcher followed the procedures suggested above to test content validity of the questions as showed in Chapter Three. In this way, the reliability of the scales had been established.

4.3.1.2 Construct Validity

Factor analysis can use metric variables because it is easily measured by several types of correlation, but nonmetric variables are more problematic because they cannot use the same types of correlation measures used by metric variables. So, factor analysis is a generic name to a class of multivariate statistical methods whose primary purpose is to define the underling structure data matrix (Hair et al., 2006). In line with that, the researcher used the Kaiser Meyer Olkin (KMO) measure of sampling adequacy (MSA). The KMO/MSA is a measure to quantify the degree of inter-correlation among the variables and the appropriateness of factor analysis. This measure can be interpreted with the following guidelines: MSA values in the 0.90s are marvelous; 0.80s are meritorious; 0.70s are middling; 0.60s are mediocre; 0.50s are miserable; and below 0.50s are unacceptable and should be excluded. Also, test of Sphericity value should be significant (that is the significant value should be 0.05 or smaller) (Hair et al., 2006; Kaiser, 1970).

Murghy and Davidshofer (1994) pointed out that factor analysis provided a measure of construct validity of the instrument. Therefore, the construct does explain all the process that provides the description of the relationship between behaviors and abstract constructs in detail, and consider a key to determine the construct validity of a test. On the other hand, they showed the process of construct explication such as:

- a. Identify the behaviors that relate to the construct to be measured.

- b. Identify other constructs and decide whether they are related or unrelated to the constructs to be measured.
- c. Identify behaviors that are related to each of these additional constructs.

In addition to that, no basis of relations among constructs determines whether each behavior is related to the construct to be measured. The items assigned to each of the variable were submitted to principal component factor analysis to determine the number of factors and factor loading extracted by the Kaiser criterion (with eigenvalue greater than one). In fact, the KMO measure was used to assess the suitability of the sample for each unifactorial determination (refer Table 4.3). The KMO value found is considered acceptable in addition to test of Sphericity value and total variance explained. The more variance explained by factors resulting from the factor analysis, the more powerful the instrument in measuring what it is supposed to measure (Tabachnick and Fidell, 2007).

Table 4.3
KMO, BTS, and Total Variance Explained

KMO Measure of Sampling Adequacy	.606
Bartlett's Test of Sphericity	.000
Total Variance Explained	76.273

In this way, the construct related validity of the questionnaires was established using factor analysis. Thus, the used of factor analysis is appropriate in this study.

Furthermore, to determine how many components (factors) to extract, the researcher considered Kaiser's criterion. Also, this study has interesting components that have an eigenvalue of 1 or more. To determine how many components meet this criterion,

we need to look at the total variance explained. Only 31 components recorded eigenvalue above 1 in this study which jointly explained 76.273 % of the variations in the items.

Thus, the final piece of output provided in this first step is the Component Matrix. This showed the loadings of each of the items on the 31 components. SPSS uses the Kaiser criterion (retain all components with eigenvalues above 1) as the default. So it is important to look at factor loading. On this criterion, most of the items were strongly loading on the eight components at a significant value 0.4 or above as suggested by Hair et al. (2006) for a valid sample of 209 after deleting univariate outliers. Very few items load on component 9 to component 31. This is in line with screeplot output to retain only eight factors for further investigation.

In the next section, the procedure for rotating these eight factors (to aid interpretation) will be demonstrated. In this study Varimax rotation an orthogonal approach (which assumes that the factors are not related), is demonstrated. The researcher has chosen to demonstrate Varimax rotation as this approach is the most commonly used, and tends to be easier and clearer to interpret.

In this respect, in Table 4.3a there are now only eight components listed in the right – hand section (as compared with thirty one, in the previous unrotated output). This is because the researcher used SPSS to select only eight components for rotation. We can see that the distribution of the variance explained has also been adjusted after rotation in the following tables:

Table 4.3a

Principal-Components Analysis for Auditing-Related Factors

Factor	Eigenvalue	Percentage of Variance	Cumulative Percentage
1	14.959	15.422	15.422
2	5.644	5.819	21.241
3	4.132	4.260	25.501
4	3.374	3.478	28.979
5	3.103	3.199	32.177
6	2.993	3.085	35.263
7	2.622	2.703	37.965
8	2.493	2.570	40.535

Table 4.3b summarises the eight factor loadings after varimax with Kaiser normalization rotation, the items loading greater than 0.4 on each factor, and the percentage of variance explained by each factor. In this study, the “cut-off” point chosen for significant loading is 0.4 and above as suggested by Hair et al. (2006) for a sample of 209.

Table 4.3b

Factor Loadings of Auditing-Related Factors

Factor	Title and Items Loading greater than 0.4	Loading	Percentage of variance
1	Audit Fees: (17 items loading to 17 items)		7.945
	a. Fees that do not suit the auditor's efforts, affect his evaluation of the companies going concern negatively.	.684	
	b. Determining a lowest level of fees and guarantee its obtaining affects the evaluation of the companies going concern positively.	.652	
	c. Determining the audit fees prior to the audit process affects the evaluation of the company's going concern positively.	.645	
	d. Determining the audit fees by the shareholders supports the auditor's evaluation of the company's going concern positively.	.580	
	e. Determining the audit fees according to the future results of the company affects the evaluation of the company's going concern negatively.	.580	
	f. Determining the audit fees by the board of directors affects the going concern evaluation negatively.	.562	
	j. Competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going concern negatively.	.562	
	h. Distributing the auditing tasks on the auditors fairly affects the evaluation of the companies going concern positively.	.554	

i. Low audit fees is considered one of the problems that face the audit career in Jordan, which affects the going concern evaluation negatively.	.535
g. the current audit fees do not suit the auditor work, which affects the going concern evaluation negatively.	.534
k. Big audit offices get high fees, which affects the going concern evaluation positively.	.521
l. The financial incentives improve the auditor performance in the going concern evaluation.	.511
m. Determining the fees by a third Party such as the companies' controller, the Jordanian Association of the Certified Public Accountants, and the auditing committee supports the evaluation of the company's going concern positively.	.498
n. The increase of the auditor change leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	.479
o. The lack of the auditor's independence leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	.473
p. Audit quality leads to the increase of the audit fees, which affects the going concern evaluation positively.	.434
q. Auditors that get high fees are more able to evaluate the going concern.	.410

2

Hiring and Dismissing the Auditor (19 items loading to 7 items)

6.119

a. Hiring the auditor by the general assembly affects the evaluation of the company's going concern positively.	.519
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b. Threatening the auditor of being dismissed by the client weakens the auditor independence, which affects the evaluation of the going concern negatively.	.515	
c. The change of management sometimes leads to the change of the auditor.	.507	
d. Hiring the auditor by the board of directors affects his evaluation of the company's going concern negatively.	.507	
e. The auditor professionalism supports his chances of being hired and decreases his dismissing.	.481	
f. Low audit fees are of the reasons that lead to the auditor change.	.458	
g. The popularity and neutrality of the auditor affects his hiring.	.451	
3 Consultant Services (7 items loading to 5 items)		5.170
a. Giving tax consultant services to the client by the auditor affects the evaluation of the company's going concern negatively.	.617	
b. Allowing the external auditor to give consultant services affects the evaluation of the company's going concern negatively.	.573	
c. The commitment of the auditor to give permanent consultant services to his client affects his evaluation of the company's going concern negatively.	.516	
d. The big amount of fees the auditor gets when giving consultant services affect his evaluation of the company's going concern negatively.	.470	
e. When the auditor assists the company to design an internal control system, it affects the going concern evaluation negatively.	.450	

4	Social Relations	4.843
	(10 items loading to 6 items)	
	a. The personal relations between small offices and their clients are stronger than those of big ones, which affects the going concern evaluation negatively.	.598
	b. The personal relationship between the auditor and the company's management affects the evaluation of the company's going concern negatively.	.570
	c. The increase in the working years of the auditor in a certain company leads to an inappropriate personal relation, which affects the evaluation of the going concern negatively.	.569
	d. Social relations affect the auditor reputation in evaluating the going concern negatively.	.533
	e. Social relations prevent the thorough disclosure of the going concern problems introduced by the client, which affects the evaluation of the going concern negatively.	.500
	f. Social relations with the client lead to issuing an unqualified report, which affects the companies' going concern negatively.	.460

5	Firm Size	4.806
	(11 items loading to 6 items)	
	a. Big audit firms try to keep their reputation in their evaluation of the companies' going concern.	.610
	b. Big audit offices care about hiring professional auditors, which affects the evaluation of the companies' going concern positively.	.584
	c. Big offices use state of the art technology (soft and hardware) more than smaller offices, which helps in the evaluation of the going concern	.560
	d. Big audit offices are more tolerant to the loss of any agent, which affects the evaluation of the company's going concern positively.	.555
	e. Auditors who work in big firms are more independent in giving his opinion about the going concern.	.550
	f. Small firms merge lead to a better evaluation quality of the going concern.	.444
6	Legal Disputes	4.579
	(15 items loading to 3 items)	
	a. The discussion with the management if it is not committed to the laws and regulations leads to the decrease of the legal disputes, which affects the evaluation of the going concern positively.	.514
	b. The realization of the laws and regulations by the auditor leads to the increase of the legal disputes, which affects the evaluation of the going concern positively.	.504

	c. Honesty and independence deter the legal disputes, which affects the evaluation of the going concern positively.	.445	
7	Competition		3.676
	(10 items loading to 4 items)		
	a. Decreasing competition between auditors affects the evaluation of the going concern positively.	.509	
	b. Rules and regulations that prevent competition between auditors in Jordan are not enough.	.420	
	c. Competition is considered a big problem for small offices more than the big ones.	.412	
	d. Good reputation of the auditor decrease competition between auditors and affects the evaluation of the going concern positively.	.405	

8	Administration Fraud	3.398
	(8 items loading to 3 items)	
	a. The auditor that gets clear information is more able to evaluate the going concern.	.454
	b. The Jordanian laws are not enough to prevent the management fraud and to disclose the necessary information related to the evaluation of the company's going concern.	.450
	c. The management fraud played a significant role in the failure of companies and deterred the auditor from giving an early warning about that failure.	.438

From Table 4.3b, it is observed that eight factor loadings ranging from 0.405 to 0.684 were presented for the auditing-related factors. All the eight factors are named accordingly to their descriptions where the first factor consists of seventeenth items that describe information about audit fees, accounted for 7.945 % of the total variance. The second factor consists of seven items that describe information about hiring and dismissing the auditor, accounted for 6.119 % of the total variance. The third factor consists of five items regarding the “consultant services”, accounted for 5.170 % of the total variance. The fourth factor is “social relations” and it contains six items, accounted for 4.843 % of the total variance. The fifth factor is “firm size” and it has six items. Its percentage of variance accounted for 4.806 % of the total variance. The sixth factor includes three items with information on “legal disputes”, accounted for 4.579 % of the total variance. The seventh factor includes four items, which describe the information on competition and therefore is named

“competition”, accounted for 3.676 % of the total variance. The last factor describes information about the administration fraud and therefore is named “administration fraud”. It accounted for 3.398 % of the total variance and has three items.

Nevertheless, in Rotated Component Matrix the output has a very clean result. Each of the variables loaded strongly on only one component, and each component was represented by a number of strongly loading variables. In addition to that, some items were removed because of not being loaded on the components obtained (Tabachnick and Fidell, 2007).

Lastly, 51 items were subject to principal components analysis using SPSS. Prior to performing PCA, the suitability of data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of 0.3 and above. The Kaiser Meyer Oklin value was 0.606, exceeding the recommended value of 0.6 (Kaiser, 1970, 1974) and the Barlett's Test of Sphericity was statistical significance, supporting the factorability of the correlation matrix.

In addition to that, the construct validity of the dependent variable (the external auditor evaluation of the company going concern) was conducted in this study. The KMO value found are generally considered acceptable in addition to test of Sphericity value and total variance explained. The more variance explained by factors resulting from the factor analysis, the more powerful the instrument in measuring what it is supposed to measure (Tabachnick and Fidell, 2007).

Table 4.3c
KMO, BTS, and Total Variance Explained

KMO Measure of Sampling Adequacy	.738
Bartlett's Test of Sphericity	.000
Total Variance Explained	68.015

Consequently, the construct related validity of the questionnaires was recognized through the usage of the factor analysis. Therefore, the latter (factor analysis) is assumed to be proper for this research.

Nevertheless, the determination of the amount of components (factors) to be extracted was obtained by the researcher through his adoption of the Kaiser's criterion. In addition, the research paper is engrossed in factors that have an eigenvalue of 1 or even more. The researcher has also looked at the emphasized total variance in order to find out how many factors meet the earlier established criterion. The findings demonstrated that only 17 factors documented eigenvalue above 1 that mutually elucidated 68.015% of the variations in the items.

Furthermore, the last fragment of results evoked in this first step is the Component Matrix that highlighted the loadings of each of the items on the 17 components. The main importance of looking into the factor of loading is based on the use of the Kaiser criterion (retain all components with eigenvalues above 1) as default obtained from the SPSS analysis. For instance, most of the items were strongly "loading" on the one component at a significant value 0.4 or above as suggested by Hair et al. (2006) for a valid sample of 209 after deleting univariate outliers on this criterion. On the other hand, an insignificant number of items load on component 2 to

component 17. Thus, this statement is in line with screeplot output to retain only one factor for anterior investigation.

In association to the rotated component matrix, the findings demonstrated that only one component was extracted. As a result, the solution cannot be rotated. In this high opinion, the table labeled Total Variance made clear that there is now only one component listed in the right-hand. Finally, the distribution of the emphasized variance has also been adjusted in the following tables:

Table 4.3d

Principal-Components Analysis for the Auditor Evaluation of the Company Going Concern (AECGC)

Factor	Eigenvalue	Percentage of Variance	Cumulative Percentage
1	10.352	18.821	18.821

Table 4.3d summarises the one factor loadings, the items loading greater than 0.4 on the one factor, and the percentage of variance explained by one factor. In this study, the “cut-off” point chosen for significant loading is 0.4 and above as suggested by Hair et al. (2006) for a sample of 209.

Table 4.3e

Factor Loadings of the Auditor Evaluation of the Company's Going Concern

Factor	Title and Items Loading greater than 0.4	Loading	Percentage of variance
1	The auditor evaluation of the company going concern (55 items loading to 27 items)		18.821
	1. Contract violations and illegal acts.	.604	
	2. Assets under law reservation.	.599	
	3. Changes of legislations toward companies.	.590	
	4. Efficiency of managers.	.552	
	5. Manager's dissatisfaction.	.539	
	6. Inability to maintain the broken equipment.	.536	
	7. Sales volume to know the profit	.531	
	8. Causes of the general managers turnover.	.531	
	9. Investment of loans and bonds.	.517	
	10. Sources of external finance.	.514	
	11. Delay or not distribute profit to shareholders.	.514	
	12. Legal actions against the company or similar matters that might jeopardize the operating ability.	.509	
	13. Liquid assets volume to know the ability of the company to distribute profit.	.496	
	14. Clashes between the policy of the government and the interests of companies.	.482	
	15. Conflicts between owners and managers.	.480	
	16. Short of products.	.480	
	17. The comparison of the financial ratios with those of similar companies in terms of size and activities.	.465	

18. Short-term borrowing to finance long-term assets.	.463
19. Quality defects and losses in quality caused by the malfunctioning production equipment.	.453
20. Losses of operations related to the previous performance of the company.	.448
21. Consideration of law and regulations Related to the financial statements.	.435
22. Sources of internal finance.	.432
23. Company's plans such as borrowing and debt restructuring.	.419
24. Revenues to expenses to show the rate of profitability and know the ability of the company to distribute the profit.	.415
25. Leadership and change of managers.	.407
26. Inability of the company to pay creditors in due date.	.403
27. The comparison between the expected results of suppositive budget with the actual results.	.401

The auditor evaluation of the company going concern has been presented by the one observed factor loadings ranging from 0.401 to 0.604 indicated in Table 4.3e. This factor is nominated in accordance to its description totaling twenty-seven items describing information on the auditor evaluation of the company going concern, accounted for 18.821 % of the total variance.

Moreover, the results are more accurate in the Component Matrix. It can be interpreted by the fact that all variables are significantly loaded on one component represented by a number of strongly loading variables. Not forgetting to add that in

the components obtained, a number of items were removed as they were not all loaded to them (Tabachnick and Fidell, 2007). .

In a nutshell, twenty-seven items were induced to Principal Components Analysis (PCA) using SPSS. The suitability of data for factor analysis was assessed in priority to performing PCA. Therefore, the inspection of the correlation matrix illustrated the presence of many coefficients of 0.3 and above. As a result, the Kaiser Meyer Oklin value was 0.738, exceeding the recommended value of 0.6 (Kaiser, 1970, 1974) and the Barlett's Test of Sphericity was statistical significant, whereby it support the factorability of the correlation matrix.

4.3.2 Test of Reliability of the Instrument

In this study, reliability is operationalised as consistency, which is the degree of intercorrelation among items (internal consistency) which measures the same concept (Sekaran, 2003). Furthermore, Nunnally (1978) showed that the reliability estimation is provided by coefficient alpha to measure the internal consistency of a set of items. Cronbach's Alpha can be considered as a perfectly adequate indication of the internal consistency, and thus of reliability (Sekaran, 2003).

Hence, the questionnaire was tested for reliability. An internal consistency analysis was performed to assess the reliability aspect of the survey instrument; inter-item analysis is used to check the scales for internal consistency (Nunnally, 1978). According to Hair et al. (2006) there is no single item as a perfect measure of a concept. We must rely on a series of diagnostic measures to assess internal

consistency. Also, Robinson, Shaver, and Wrightsman (1991) suggest that the item to-total correlation exceeds .50 and that the inter item correlations exceed .30.

Hence, in this study if an indicator has correlation (for example, < 0.3) with a given scale, it is removed from that scale. A new Cronbach's alpha is then obtained and usually the value of Cronbach's alpha will increase. Nunnally (1978) suggested that in exploratory research such as this research, alpha value of 0.6 is sufficient. Thus, the alpha values found for each scale indicate that each factor is a sufficiently reliable measure.

Another type of diagnostic measure is the reliability coefficient that assesses the consistency of the entire scale with Cronbach's alpha (Nunnally, 1978). It is the most widely used measurement. The generally agreed upon lower limit for Cronbach's alpha is 0.70, although it may decrease to 0.60 in exploratory research (Hair et al., 2006). In line with that, this study used the reliability after using the construct validity (factor analysis). Therefore, Table 4.3f represents the result of the reliability test for each of the auditing-related factors.

Table 4.3f

Test of Reliability of Data – The Auditor Evaluation of the Company Going Concern and Auditing-Related Factors

Factors Auditing-related Item	No. of Items	No. of Items Deleted	Cronbach's Alpha
Audit fees	17	-	.884
Hiring and dismissing the auditor	7	-	.696
Consultant services	5	-	.720
Social relations	6	-	.715
Firm size	6	-	.754
Legal disputes	3	2	.578
Competition	4	2	.466
Administration fraud	3	-	.557
The auditor evaluation of the company going concern	27	-	.888

The Cronbach's Alpha Values ranges from 0.466 to 0.888. Therefore five factors (Factor 1 to factor 5 in addition to factor 9) fulfilled the minimum requirement level of reliability. On the other hand, three factors (Factor 6 to 8) did not fulfill the minimum requirement level of reliability.

4.3.3 Criterion Validity

A criterion-related validity analysis was performed utilizing the 10 variables as independent variables (qualification, study major, experience in audit, experience in accounting, audit fees, hiring and dismissing the auditor, consultant services, social

relations, and assize of the audit firm) and the auditor evaluation of the company going concern as the dependent variable.

Pearson correlations quantify the strength of the relationship between two variables. A correlation that is significant at the 0.01.level implies a 99 percent certainty that the correlation between the two variables is not random and at the 0.05 level it implies a 95 percent certainty. According to Hair et al. (2006), the presence of high correlations (generally 90 and above) is the first indication of substantial collinearity. Thus, as the tolerance value grows smaller, the variable is more highly predicted by the other independent variables (collinearity). In addition to that, variance inflation factor (VIF) indicated the effect that the other independent variables have on the standard error of regression coefficient. The (VIF) is directly related to the (TOL) value. Large VIF values also indicate a high degree of collinearity or multicollinearity among the independent variables. Two of the common measures for assessing both pair-wise and multiple variable collinearity are:

- (1) The tolerance (TOL) value; and (2) its inverse that is, the variance inflation factor (VIF).

Tolerance is the amount of variability of the selected independent variables not explained by the other independent variables. Thus, very small tolerance values (and thus large VIF values because $VIF = 1/\text{tolerance}$) denote high collinearly. Further, Hair et al. (2006) noted that a common cut off threshold is a tolerance value of 0.10, which corresponds to a VIF value above 10. Thus, referring to Table 4.4d, P. 222 the data of this current study does not have problems with high collinearity.

Therefore, the criterion related validity of the questionnaires was also established using Pearson correlations.

4.4 Methods of Multiple Regressions

According to Tabachnick and Fidell (2006), multiple regression analysis can be conducted by three different methods: (1) In the "standard regression" or "simultaneous regression" procedure, all independent variables are assumed to be of equal importance and are entered into the regression equation because the researcher wants to examine the relationship between the whole set of independent variables and a dependent variable, (2) In the "hierarchical regression" procedure, independent variables are added to the regression equation in an order pre-determined by the researcher based on theoretical knowledge, (3) In the "stepwise regression" procedure, the number of independent variables are entered one by one on the basis of some pre-determined by statistical criteria. Hence, the choice of a regression procedure depends on the objective of the analysis.

In line with that and to satisfy the objective of the analysis, the researcher used "standard regression" in this study because all independent variables are of immediate and potentially equal interest, and all independent variables entered the regression equation at once. Because of the closely connect between the multiple regression and Pearson's r , the regressions considered a powerful tool for summarizing the nature of the relationship between variables through producing a line which fits the data closely. This line is called the line of best fit to summarize the relationship between two variables. Regression is also necessary for making prediction of likely values of the independent variable. Correlation is concerned with

the degree of relationship between variables and regression with making predictions to the dependent variable by using the independent variables (Tabachnick and Fidell, 2007; Hair et al., 2006).

They also showed that the construct of a simple linear regression model usually starts with the specification of the dependent variable and independent variable. Here, a variable of interest, the dependent variable (Y) is related to one or more independent or predictor variables (x). The objective of regression analysis is to build a regression model or a prediction equation relating the dependent variable to one or more independent variables. The model can then be used to describe, predict and control the variable of interest on the basis of the independent variables.

In line with that, this study measured the demographic factors by using multiple regression as following:

a. Qualification

To measure this variable in the current study, the researcher considered this variable a nonmetric variable (Hair et al., 2006). In line with that, multiple regression used to measure this variable and to explore the relationship between one continuous dependent variable (AECGC) and a number of independent variables (two or more continues independent variables or nonmetric variables). In reality, (academic qualification) used to account for the effect that different levels of nonmetric variable have in predicting the dependent variable.

b. Study major

Multiple regression used to measure this variable and to explore the relationship of one continuous dependent variable (AECGC) and a number of independent variables (two or more continuous independent variables or nonmetric variables). In reality, the study major is considered a nonmetric variable (Hair et al., 2006). Moreover, nonmetric variable used to account for the effect of nonmetric variable in predicting the dependent variable.

c. Experience in Auditing

In particular, multiple regression used to measure this variable and to explore the relationship between one continuous dependent variable (AECGC) and a number of independent variables (two or more continuous independent variables). In reality, experience in auditing considered a continuous variable (Pallant, 2001). Moreover, “multicollinearity occurs when any single independent variable is highly correlated with a set of other independent variables. In addition to that, the researcher used coefficient of determination (R^2) measure of the proportion of the variance of the dependent variable about its mean that is explained by the independent, or predictor, variables. The coefficient can vary between 0 and 1” (Hair et al., 2006).

d. Experience in Accounting

In principle, multiple regression used to measure this variable and to explore the relationship one continuous dependent variable (AECGC) and a number of independent variables (two or more continuous independent variables). In reality, the experience in accounting is considered a continuous variable (Pallant, 2001). Moreover, “multicollinearity occurs when any single independent variable is highly correlated with a set of other independent variables. In addition to that, the researcher

used coefficient of determination (R^2) measure of the proportion of the variance of the dependent variable about its mean that is explained by the independent, or predictor, variables. The coefficient can vary between 0 and 1” (Hair et al., 2006).

4.4.1 Linearity, Normality and Homoscedasticity Status

An important element of simple linear regression analysis is checking whether the basic assumptions of linearity, normality, and homoscedasticity are met (Hair et al., 2006). Results of linearity through scatter plot diagrams for various variables indicated that there is linear pattern that is, no evidence of nonlinear pattern in the current data. Likewise, the results of homoscedasticity tests through scatter plot diagrams of studentized residuals seem to suggest that the variance of dependent variable is the same for all values of the independent variable as no different pattern in the data point is discovered. Consequently, the data have achieved the linearity and homoscedasticity situation for regression analysis.

In relation to the normality, outcomes of the graphical portrayals of the standardized residuals (comprising the Q-Q plot and detrended Q-Q plot) seem convincing. This means that the data could be a sample from a normal population that the distributions are very homogeneous and also there are not many outliers (just 2 outliers). Furthermore, results of statistic tests can be heavily relied upon because they can be clear and valid by the size of respondents. When samples are small, tests are not very powerful that is, they tend not to reject the hypothesis of normality even if it is incorrect; and when sample size is large such tests often lead to rejection of normality assumption based on small departures that will not affect the regression analysis.

Based on these arguments, the present study opts to maintain the existing observed data except for three variables (legal disputes, competition, and administration fraud) that show poor Reliability (Cronbach Alpha Test) (for subsequent regression analysis purpose. They have Cronbach Alpha value which are less than the accepted value as showed in Table 4.3f.

For the normality test, it is done descriptively by exploring the Skewness and Kurtosis ratio. Normality is assumed when the ratio /Standard Error fall between ± 1.96 , at the value alpha of 0.05, (significance level) and ± 2.58 at the value alpha of 0.01 (Hair et al., 2006 p.82).

As shown in Table 4.4a, skewness and kurtosis are fall between the normal range that is ± 1.96 and ± 2.58 . Therefore, that assumption of normality is met. Also, the bell distribution has a mean of 0 and a standard deviation of 1. Consequently, the normality assumption is met.

Table 4.4a
The Statistics of Skewness and Kurtosis Ratios (Descriptive Statistics)

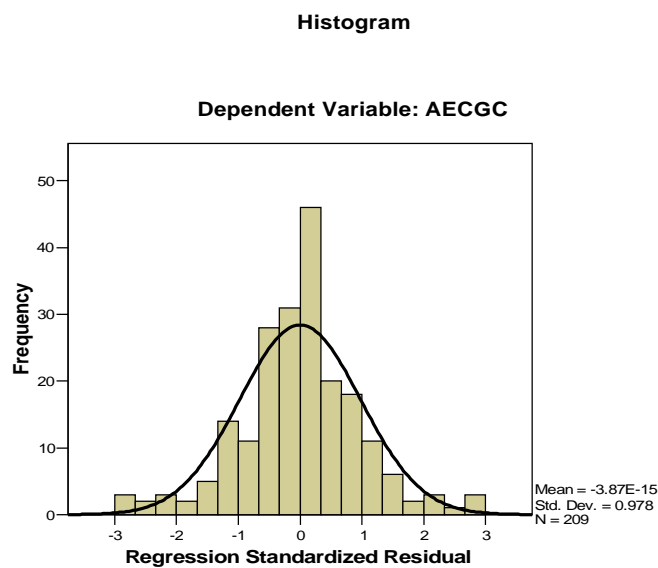
Variables	N Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
The auditor evaluation of the company going concern	209	-.582	.167	1.484	.333
Audit fees	209	-.170	.167	.403	.333
Social relations	209	.383	.167	.258	.333
Consultant services	209	.523	.167	.548	.333
Hiring and dismissing the auditor	209	.268	.167	.335	.333
Firm size	209	.179	.167	.265	.333

On the other hand, the reason for testing the linearity is that correlation represents only the linear association between variables, and nonlinear effects will not be represented in the correlation value (Hair et al., 2006, p.85). Therefore, scatterplot is the representation of the relationship between two metric variables portraying the joint values of each observation in a two-dimensional graph. So, a scatterplot of the independent and dependent variable must show the dotted line that is the normal line. This means that there is a normality assumption of the variables. To test the data linearity assumption of the regression model, a histogram of the distribution of the residuals was plotted. The distribution approximated a normal curve, suggesting that the data conform to the normality assumption. In addition, residuals from the regression model were plotted against the predicted value of the auditor evaluation of the company going concern and against each explanatory variable to determine

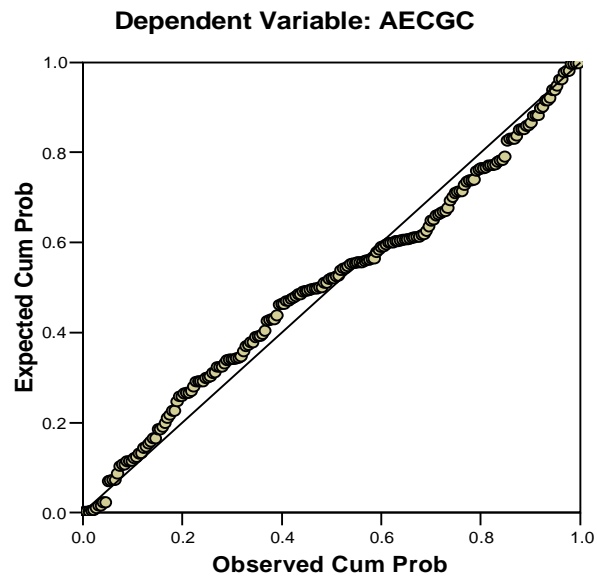
whether the error terms of the model had constant variance. A visual inspection of the distribution of residuals suggested an absence of heteroscedasticity.

Figure 4.1 display a relationship (a system pattern) does not exist between the predicted values and the residual. This means that assumptions of linearity and homogeneity of data are met.

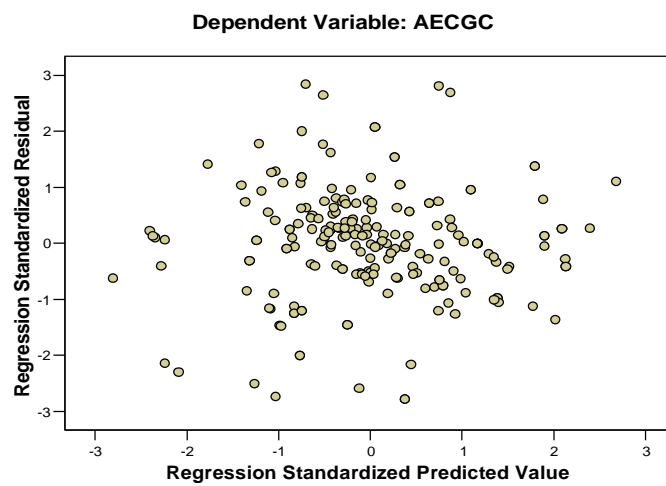
Figure 4.1: Test for Linearity, Normality and Homogeneity of IV and DV



Normal P-P Plot of Regression Standardized Residual



Scatterplot



4.4.2 Correlation Analysis

Correlation is used to describe the strength and direction of the linear relationship between two variables (Hair et al., 2006). Therefore, the tests of significant are calculated to discover non-random relationships, where, measures of correlation are considered to measure the strength or importance of a relationship. Measures of relationship are useful because they can help the researcher to pull off important scientific goals.

In general, these statistics can increase our comprehension of the causal relationships among variables and improve our ability to predict from one variable to another.

To achieve this, the bivariate associations used the Bivariate Correlations procedure. The Bivariate Correlation procedure computes Pearson's correlation coefficient with significant levels. Correlations measure how variables or rank orders are related. Pearson's correlation coefficient is a measurement of linear association. This can range from -1.00 to 1.00. This value will indicate the strength of the relationship between variables. A correlation of 0 indicates no relationship at all, a correlation of 1.00 indicates a perfect positive correlation, and value of -1.00 indicates a perfect negative correlation. Therefore, Cohen (1988) provides a guide in the interpretation of the strength of relationship between two variables. They are as follows:

Table 4.4b
Guides of Cohen related to correlation strength

r	Strength of relationship
R = .10 to .29 or r = -.10 to -.29	Small
R = .30 to .49 or r = -.30 to -.49	Medium
R = .50 to 1.0 or r = -.50 to -.1.0	Large

Table 4.4c display a matrix of simple correlations. Examine the correlation between the dependent and independent variables, Pearson product-moment correlation coefficient (r) were computed. The relatively high correlations among the independent or predictor variables maybe to indicate the existence of multicollinearity when applying regression analysis to test the model later. However, examination of the bivariate correlation may not adequately detect collinearity.

Berry and Feldam (1985, p.43) pointed out that one predictor variable may be approximately a linear mixture of several other predictor variables in the model, yet that variable may not be highly correlated with other single predictor variable. Further diagnosis for multicollinearity will be discussed in this chapter.

Table 4.4c:
Correlation

	QUALIFI	SMAJOR	EAUDIT	EACCOUN	HIRDISM	CONSSER	SIZEAF	AFEES	SOCIALR
AECGC	-.065	.015	.096	-.007	.265**	.302	.386**	.628**	.369**
QUALIFI		.006	-.077	-.033	.080	-.086	.000	-.127	-.042
SMAJOR			0.113	-.058	-.019	-.106	.040	-.126	-.051
EAUDIT				.273**	-.020	-.150*	.014	.010	.223**
EACCOUN					-.068	-.251**	-.089	-.058	.268**
HIRDISM						.210**	.126	.154*	.145*
CONSSER							.334**	.444**	.647**
SIZEAF								.229**	.234**
AFEES									.400**
SOCIALR									1.000

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

The summary is as follows:

variables	Correlation coefficient	Level of Significance	Strength of relationship based on Cohen Guides
The auditor evaluation of the company going concern - Qualification	-.065	Correlation insignificant at the 0.05 level(2-taild)	Weak relationship
The auditor evaluation of the company going concern-Study Major	.015	Correlation insignificant at the 0.05 level(2-taild)	Weak relationship
The auditor evaluation of the company going concern-Experience in audit	.096	Correlation insignificant at the 0.05 level(2-taild)	Weak relationship
The auditor evaluation of the company going concern - Experience in accounting	-.007	Correlation insignificant at the 0.05 level(2-taild)	Weak relationship

The auditor evaluation of the company going concern – Hiring and dismissing the auditor	.265	Correlation is significant at the 0.01 level(2-taild)	Small relationship
The auditor evaluation of the company going concern – Consultant services	.302	Correlation is significant at the 0.01 level(2-taild)	Medium relationship
The auditor evaluation of the company going concern – Firm size	.386	Correlation is significant at the 0.01 level(2-taild)	Medium relationship
The auditor evaluation of the company going concern – Audit fees	.628	Correlation is significant at the 0.01 level(2-taild)	Large relationship
The auditor evaluation of the company going concern – Social relations	.369	Correlation is significant at the 0.01 level(2-taild)	Medium relationship

The bivariate statistical results show that they are weak correlated and insignificance between the auditor evaluation of the company going concern and demographic factors such as: qualification, study major, experience in auditing, and experience in accounting. On the other hand, the results of the bivariate statistical related to the auditor evaluation of the company going concern and audit-related factors (hiring and dismissing the auditor, consultant services, size of auditing firm, audit fees, and social relation) show that they are significant correlation between them ($p < 0.01$).

Table 4.4c also reveals statistically significant r statistic between independent variables. An audit fees is significant and negatively correlated with qualification. Study major and hiring and dismissing the auditor are positively correlated and insignificant with qualification. Experience in audit, experience in accounting, consultant services, social relation are negatively correlated and insignificant with

qualification. Size of the audit firm is not correlated and insignificant with qualification

Further to that, experience in accounting, hiring and dismissing the auditor, consultant services, and social relations are negatively correlated but not significant with study major. Experience in audit and size of the audit firm are positively correlated and not significant with study major. The audit fee is negatively correlated and insignificant with study major.

In reality, experience in accounting is positively correlated and significant with experience in audit. Hiring and dismissing the auditor is negatively correlated and not significant with experience in audit. Consultant services and social relations are negatively correlated and significant with experience in audit. Size of the audit firm and the audit fees are positively and not significant with experience in audit.

Hiring and dismissing the auditor, size of the audit firm, and audit fees are negatively correlated and not significant with experience in accounting. Consultant services and social relations are negatively correlated and significant with experience in accounting.

Consultant services, audit fees, and social relations are positively correlated and significant with hiring and dismissing the auditor but the size of the audit firm is positively correlated and insignificant with hiring and dismissing the auditor. In addition to that, size of the audit firm, audit fees, and social relations are positively correlated and significant with the consultant services. Also, audit fees and social

relations are positively correlated and significant with the size of the audit firm. To conclude, social relation is positively and significant correlated with audit fees.

4.4.3 Multicollinearity Diagnostics

Certain explanatory variables were highly correlated with other independent variables. This could have been due to multicollinearity. Before proceeding with the regression analysis, the predictor variables were checked for the presence of multicollinearity.

Table 4.4d
Testing for Multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
Qualification	.962	1.040
Study major	.949	1.054
Experience in audit	.868	1.152
Experience in accounting	.856	1.169
Hiring and dismissing the auditor	.937	1.067
Consultant services	.494	2.022
Firm size	.866	1.154
Audit fees	.742	1.349
Social relation	.538	1.859

Multicollinearity problem exists when the independent variables are too high correlated (Hair et al., 2006). To detect for the severity of multicollinearity, the variance inflation factors (VIFs) method are used. This is to ensure there is no serious collinearity problem among them that may impair the accuracy and stability of the model's parameter estimates. The VIFs measure how much the variance of the

estimated regression coefficients are inflated as compared to when the independent variables are linearity related.

For regression analysis, acceptable values of collinearity are considered from the tolerance value of more than .10 or the VIFs value of less than 10 (Hair et al., 2006, p.233). A maximum VIFs value in excess of ten is often taken as indication that multicollinearity may be excessively influencing the least squares estimates. Consequently, small tolerance values and large VIFs values will reflect the problem of correlation items likely are redundant. In this way, the VIFs of variables must not exceed 10. Results of the VIFs appear in Table 4.4d the largest VIF(2.022) was well the threshold ($VIF = 10$) as being suggested by Haire et al. (2006), which is an indication of no evident problem of multicollinearity in the multiple regression model.

4.5 Evaluating the Model Using Tests of Significance in Regression Analysis

There are numerous tests of significance which applied to the results of multiple regression analysis.

R^2 (R Square) Coefficient is a gauge generally used for evaluating the goodness of a regression equation. R^2 is also referred to as the coefficient of determination. In this study, R^2 is used to indicate the share of the variance of the dependent variable (the auditor evaluation of the company going concern) due to the joint effect of the independent variables (demographic factors and audit-related factors). If R^2 is equal to 1, it means that there is a perfect linear relationship between the dependent and the independent variables. On the other hand, if R^2 is equal to 0, it means that there is no

linear relationship between the dependent and independent variables. Consequently, the value given under the heading R^2 tells us how much of the variance in the dependent variable (the auditor evaluation of the company going concern) is explained by the model (which includes the variables of demographic factors and audit-related factors). In this model the value is .518. This means that the model explains 51.8 per cent of the variance in the auditor evaluation of the company going concern. This is quite a respectable result. The SPSS also provides an **Adjusted R^2** value in the output. When a small sample is involved, R^2 value in the sample tends to be a rather optimistic overestimation of the true value in the population (Tabachnic and Fidell, 2007). The adjusted R square statistic 'corrects' this value to provide a better estimate of the true population value, rather than the normal R^2 value. Also, this study assessed the statistical significant of the result through using **ANOVA**. These tests show that null hypothesis that is multiple R in the population is equals to 0. The model in this study reaches statistical significance (sig. = .000, this really means $p < .0005$).

4.6 Evaluating Each of the Independent Variables Using Test Regression Coefficients

Beta analysis is used to prove the significance of regression coefficient. Regression analysis is used to compare the relative influence of the independent variables which are measured on different units of measurement, whereby the regression coefficients are converted to beta coefficient. The beta coefficients can be compared to one another, thus the larger the beta coefficient, the stronger the impact of that variable on the dependent variable.

The regression coefficient showed which of the variables included in the model contributed to the prediction of the dependent variable. We can find that in Beta column under Standardized Coefficients. Standardized means that these values for each of the different variables have been converted to the same scale so that this study compares them to know which beta value is the largest (ignoring any negative signs out the front). In this study the largest beta coefficient is (.542) which is the total audit fees. This means that this variable makes the stronger unique contribution to explain the dependent variable. An audit fee has also significant value less than .05 (significant = .000). Therefore this variable makes a significant unique contribution to the prediction of the dependent variable (the auditor evaluation of the company going concern). The beta value for total firm size was slightly less 0.246 (significant = .000) indicating that it made less contribution. Other variables are arranged according to stronger unique contribution as follows: social relations .211 beta (significant = .002); hiring and dismissing the auditor .160 beta (significant = .002); consultant services .157 beta (significant = .026). On the other hand, experience in audit has .092 (significant = .083); study major has .063 beta (significant = .216); experience in accounting has .053 (significant = .323); and qualification has .005 beta (significant = .915). These variables (demographic factors) however, are not making a significant unique contribution to prediction of the dependent variable (the auditor evaluation of the company going concern) because the significance values are greater than .05.

A summary of regression results is presented below in Table 4.6a. The adjusted coefficient of determination (R^2) indicates that .496 percent of the variation in the dependent variable is explained by variations in the independent variables. This

present the variation in the auditor evaluation of the company going concern was statistically explained or accounted for by the regression equation. This R^2 was statistically highly significant, with $F = 23.715$ and $p, <0.0001$. Thus, the general expression in the form of regression equation is stated as follows:

The auditor evaluation of the company going concern = $1.422 - 0.011$ Qualification + 0.118 Study major + 0.005 Experience in audit + 0.004 Experience in accounting + 0.322 Audit fees + 0.125 Social relations – 0.089 Consultant services + 0.116 Hiring and dismissing the auditor + 0.135 Firm size

The 9 predictor variables were observed to positively correlate to the auditor evaluation of the company going concern (the dependent variable) as indicated by the positive R-value of .719 in Table 4.6.a. A computed R-square value of .518 suggests that the variables are responsible more than 51 per cent of the variance in the auditor evaluation of the company going concern with a standard error of estimate of .28933

Table 4.6a
Model Summary

Model Summary b

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1	.719a	.518	.496	.28933

a. Predictors: (Constant), Social Relations, Qualification, Study Major, Hiring and Dismissing the Auditor, Size of the Audit Firm, Experience in Audit, Experience in Accounting, Audit Fees, Consultant Services

b. Dependent Variable: The Auditor Evaluation of the Company Going Concern

ANOVA^b

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.867	9	1.985	23.715	.000a
	Residual	16.659	199	.084		
	Total	34.526	208			

a. Predictors: (Constant), Social Relations, Qualification, Study Major, Hiring and Dismissing the Auditor, Size of the audit firm, Experience in Audit, Experience in Accounting, Audit Fees, Consultant Services

b Dependent Variable: The Auditor Evaluation of the Company Going Concern

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.422	.291		4.877	.000
Qualification	-.011	.104	-.005	-.106	.915
Study major	.118	.095	.063	1.242	.216
Experience in audit	.005	.003	.092	1.742	.083
Experience in accounting	.004	.004	.053	.991	.323
Hiring and dismissing the auditor	.116	.037	.160	3.147	.002*
Consultant services	-.089	.040	-.157	-2.241	.026*
Firm size	.135	.029	.246	4.642	.000*
Audit fees	.322	.034	.542	9.472	.000*
Social relations	.125	.040	.211	3.142	.002*

^aDependent Variable: AECGC

*p<0.01, p<0.05

F= 23.715 (Sig.0.000)

Analysis of variance shows that the regression model of the influence of predictor variables on the auditor evaluation of the company going concern is significant at 95

per cent confidence level with an F- value of 23.715 ($p < 0.01$). Five variables were found to be statistically significant (at $p < 0.05$) to the auditor evaluation of the company going concern. These variables are hiring and dismissing the auditor, consultant services, size of the audit firm, audit fees, and social relations.

Other variables such as academic qualification, study major, experience in auditing, and experience in accounting were found to be statistically insignificant to the auditor evaluation of the company going concern

Based on these outputs, there is sufficient evidence to reject the null and to accept the postulated alternative hypothesis respectively.

4.7 Hypotheses Testing

The objectives of this study present the crucial points of the empirical inquiry from Chapter One are reported below. These objectives are:

1. To examine the relationship between the demographic factors and the auditor's evaluation of the company's going concern in Jordan.
2. To examine the relationship between the auditing-related factors and the auditor's evaluation of the companies going concern in Jordan.
3. To examine the extent of demographic factors and auditing-related factors influencing the auditor's evaluation of the companies going concern in Jordan.

As an attempt to achieve the research objectives, one testable hypothesis was developed and presented in Chapter Three. The following part provides the findings of relationship between the variables under study as hypothesized in Chapter Three. The results for the second research objective was presented and discussed.

Hypotheses 2:

There is a relationship between study major and the auditor evaluation of the company going concern.

Table 4.7b display the coefficient of study major = 0.118, not significant at 0.05 level. For each unit change of the independent variable; study major, there is an expected change of 0.118 in the dependent variable; the auditor evaluation of the company going concern. The sign is positive, in other words, for each increase of one unit in study major, there is a 0.118 increment in the auditor evaluation of the company going concern. Nevertheless, an examination of the t-values ($t = 1.242$, $p > 0.05$) indicates that study major do not contribute to the improvement of the auditor evaluation of the company going concern. This suggests that the study major is not significant to the auditor evaluation of the company going concern. Therefore, the outcome caused a failure to reject the null hypothesis.

Table 4.7b

Summarise result of Hypothesis 2

R²: 0.518			
F : 23.715			
	B	Beta	t
			Sig.
(Constant)	1.422		4.877
Study major	.118	.063	1.242
			.216

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 3:

There is a relationship between the experience in audit and the auditor evaluation of the company going concern.

For each unit increase in the independent variable; experience in audit, there is an expected increase of 0.005 in the dependent variable, the auditor evaluation of the company going concern (refer Table 4.7c). The direction of this relationship is positive. An examination of the t- values ($t = 1.742$, $p > 0.05$) indicates that experience in audit does not contribute to the improvement of the auditor evaluation of the company going concern. This suggests that experience in audit is not significant to the auditor evaluation of the company going concern. Accordingly, the result caused a failure to reject the null hypothesis.

Table 4.7.c

Summarise result of Hypothesis 3

R²: 0.518				
F : 23.715				
	B	Beta	t	Sig.
(Constant)	1.422		4.877	.000
Experience in audit	.005	.092	1.742	.083

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypotheses 4:

There is a relationship between experience in accounting and the auditor evaluation of the company going concern.

Table 4.7d display the coefficient of experience in accounting = 0.004, not significant the 0.05 level. For each unit change of the independent variable; experience in accounting, there is an expected change of 0.004 in the dependent variable, the auditor evaluation of the company going concern. The sign is positive. In other words, for each increase of one unit in experience in accounting, one predicts a 0.004 increase in the auditor evaluation of the company going concern. Nevertheless, an examination of the t-values ($t = .991$, $p > 0.05$) indicates that experience in accounting do not contribute to the improvement of the auditor evaluation of the company going concern. This suggests that experience in accounting is not significant to the auditor evaluation of the company going concern; therefore the result caused a failure to reject the null hypothesis.

Table 4.7d
Summarise result of Hypothesis 4

R²: 0.518				
F : 23.715				
	B	Beta	t	Sig.
(Constant)	1.422		4.877	.000
Experience in accounting	.004	.053	.991	.323

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 5:

There is relationship between audit fees and the auditor evaluation of the company going concern.

Referring to Table 4.7e, the coefficient of audit fees = 0.322, significant at the level 0.01. For each unit increase of the independent variable; audit fees, there is an expected increase 0.322 in the dependent variable; the auditor evaluation of the company going concern. The sign is positive. In other words, for each increment of one unit in audit fees, one predicts a 0.322 increment in the auditor evaluation of the company going concern. An examination of the t-values ($t = 9.472$, $p < 0.01$) indicates that auditor fees contributes to the improvement of the auditor evaluation of the company going concern. This suggests that auditor fees is significant to the auditor evaluation of the company going concern. Thus, the finding allows us to reject the null hypothesis.

Table 4.7e
Summarise result of Hypothesis 5

R²: 0.518				
F : 23.715				
	B	Beta	t	Sig.
(Constant)	1.422		4.877	.000
Audit fees	.322	.542	9.472	.000*

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 6:

There is a relationship in the social relations between the auditor and the management and his evaluation of the company's going concern.

Referring to Table 4.7f, the coefficient of social relations = .125, significant at the 0.05 level. For each unit change of the independent variable; social relations, there is

an expected change of 0.125 in the dependent variable; the auditor evaluation of the company going concern. The sign is positive. In other words, for each increment of one unit in social relation, one predicts a 0.122 increment in the auditor evaluation of the company going concern. An examination of the t-values ($t = 3.142$, $p < 0.05$) indicates that social relations contribute to the improvement of the auditor evaluation of the company going concern. This suggests that social relations is significant to the auditor evaluation of the company going concern, and thus allows us to reject the null hypothesis.

Table 4.7f
Summarise result of Hypothesis 6

Summary of Results of Hypothesis 3

R²: 0.518				
F : 23.715				
	B	Beta	t	Sig.
(Constant)	1.422		4.877	.000
Social relations	.125	.211	3.142	.002**

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 7: Not tested since the variable (company fraud) has been discarded as discussed in this chapter.

Table 4.7g:
Summarise result of Hypothesis 7
Test of Reliability of Data – Auditing-related Factors

Auditing-related factors Item	No. of Items	No. of Items Deleted	Cronbach's Alpha
Administration fraud	3	-	.557

Hypothesis 8:

There is a relationship between the consultant services and the auditor evaluation of the company going concern.

Referring to Table 4.7h, the coefficient of consultant services = -0.089, is significant at $p < 0.05$. The direction of the relationship is negative. For each unit increase of the independent variable; consultant services, there is an expected decrease of 0.089 in the dependent variable; the auditor evaluation of the company going concern. This suggests that the consultant services is significant to the auditor evaluation of the company going concern in an inverted way. Hence, the result allows us to reject the null hypothesis.

Table 4.7h
Summarise result of Hypothesis 8

R²: 0.518				
F : 23.715				
	B	Beta	t	Sig.
(Constant)	1.422		4.877	.000
Consultant services	-.089 .157	-	-2.241	.026**

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 9:

There is a relationship between hiring and dismissing the auditor and his evaluation of the company's going concern (AECGC).

Table 4.7i displays the coefficient of hiring and dismissing the auditor = 0.116, significant at 0.05 level. For each unit change of the independent variable; hiring and dismissing the auditor, there is an expected change of 0.116 in the dependent variable; the auditor evaluation of the company going concern. The sign is positive. In other words, for each increment of one unit in hiring and dismissing the auditor, one predicts a 0.116 increment in the auditor and his evaluation of the company's going concern. An examination of the t-values ($t = 3.147$, $p < 0.05$) indicates that hiring and dismissing the auditor contributes to the improvement of the auditor and his evaluation of the company's going concern. This suggests that hiring and dismissing the auditor is significant to the auditor and his evaluation of the company's going concern, and thus allows us to reject the null hypothesis.

Table 4.7i
Summarise result of Hypothesis 9

R²: 0.518				
F : 23.715				
	B	Beta	t	Sig.
(Constant)	1.422		4.877	.000
Hiring and dismissing the auditor	.116	.160	3.147	.002**

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 10:

There is a positive relationship between the audit firm size and the auditor evaluation of the company going concern.

Referring to Table 4.7j the coefficient of audit firm size = .135, significant at the 0.01 level. For each unit change of the independent variable; audit firm size, there is an expected change of .135 in the dependent variable; the auditor and his evaluation of the company's going concern. The sign is positive. In other words, for each increment of one unit in audit firm size, one predicts a .135 increment in the auditor and his evaluation of the company's going concern. An examination of the t-values ($t = 4.642$, $p < 0.01$) indicates that audit firm size contributes to the improvement of the auditor and his evaluation of the company's going concern and hence allows us to reject the null hypothesis.

Table 4.7j
Summarise result of Hypothesis 10

R²: 0.518			
F : 23.715			
	B	Beta	t
(Constant)	1.422		4.877
Firm size	.135	.246	4.642
			Sig.
			.000
			.000*

Dependent variable: the auditor evaluation of the company going concern

* at 0.01 significant level

** at 0.05 significant level

Hypothesis 11: Not tested since the variable (legal disputes) has been discarded as discussed in this chapter.

Table 4.7k
Summarise result of Hypothesis 11
Test of Reliability of Data – Auditing-related Factors

Auditing-related factors Item	No. of Items	No. of Items Deleted	Cronbach's Alpha
Legal disputes	3	2	.578

Hypothesis 12: Not tested since the variable (competition) has been discarded as discussed in this Chapter.

Table 4.71

Summarise result of Hypothesis 12

Test of Reliability of Data – Auditing-related Factors

Auditing-related factors Item	No. of Items	No. of Items Deleted	Cronbach's Alpha
Competition	4	2	.466

4.8 Summary of the Regression Analysis

The following Table 4.8a shows the summary of the regression analysis

Table 4.8a

Summary of Regression Analysis (n=209)

Independent Variables	Expected Sign	Actual sign	Coefficient	Standard error	t-test level	significance
Hiring and dismissing the auditor		+	.116	.037	3.147	.002
Consultant services		-	-.089	.040	-2.241	.026
Firm size	+	+	.135	.029	4.642	.000
Audit fees		+	.322	.034	9.472	.000
Social relations		+	.125	.040	3.142	.002
Adjusted R ² = 0.496			F Ratio = 23.715		Significant = 0.0000	

4.9 Chapter Summary

In this chapter, the findings of the present study which were obtained from various analyses were presented. Table 4.8a shows the final results of the regression equation after excluding the variables (demographic factors such as academic qualification, experience in audit, experience in accounting, and study major) that did not yield

statistically significant regression coefficients. The result of the analysis for hiring and dismissing the auditor, size of the audit firm, audit fees and consultant services indicate that all signs of the coefficients were in the right direction except consultant services. In addition to that, the test of constructing and examining histograms of the residuals and normal probability plots of the observed and expected distribution of the residuals do not depart from the assumptions of normality and equality of variance.

In general, a good linear fit was achieved in the regression estimate with an adjusted R^2 of 0.496. Moreover, the regression assumptions of normally distributed residuals and constant variance were not violated. Besides that, the variance of inflation factor (VIF) which ranged from 1.040 to 2.022 showed that multicollinearity was not a serious problem. As a conclusion, the findings are discussed in depth in the Chapter Five.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.0 Introduction

This chapter presents discussion of findings in relation to demographic factors and auditing-related factors to the auditor evaluation of the Jordanian company's going concern. This chapter begins by discussing the hypotheses in greater detail as presented by the result in Chapter Four. In addition to that, the chapter also summarizes the study, implications, contributions, assumptions and limitations of the study, suggestion for future research, and conclusion.

5.1 Discussion of Hypotheses

5.1.1 Academic Qualification (H1)

As discussed in Chapter Four, academic qualification is negatively related and not significant to auditor evaluation of the company going concern. In this study, qualification is proxied by the diploma, bachelor's degree, and master's degree. Since the respondents are mostly bachelor's degree, they may have capability less than who have PhD and Masters degree to evaluate the company's going concern. This variable found some evidence with respect to the purpose of this study and confirmed the

results of some previous studies such as Thneibat's (1991) that found out that eighty-five percent of auditors assured that the academic qualification did not affect the companies going concern evaluation.

Matter (2000) claimed that the success of an auditor in evaluating the company's going concern is affected by factor such as academic qualification. Despite its significant role in the economy, the audit career in Jordan is encountering many problems. Most of auditors in Jordan do not have professional academic qualifications to evaluate the company's going concern. Most of them only have bachelor qualification. Asfor (2003) also found that the auditors with PhD or Masters degree are more aware to the risk evaluation than anyone else. Most auditors in Jordan do not have enough academic qualification to evaluate the companies going concern. The auditor who has higher qualifications is better than the auditor with lower qualification to evaluate the company going concern. Therefore, Jordanian government should regulate new laws regarding qualification of auditors. This regulation is vital because it is advocated that Jordanian auditor has low interest to obtain higher education and to upgrade their ability to meet the evaluation of the company going concern. This finding also does not support the agency and accountability theory. Therefore, Jordanian auditors' academic qualifications did not affect the evaluation of company's going concern. This study confirms this fact, and this variable is also insignificant to the auditor in evaluating of company's going concern.

5.1.2 Study Major (H2)

Study major is positively related to the auditor evaluation of the company going concern. However, it is not significantly related. In this study, study major is proxy by the accounting, management, and economic. Since the respondents are mostly from accounting major, therefore, they may have enough capability to evaluate the companies going concern. This variable found some evidence with respect to the purpose of this study and confirmed the results of some previous studies that showed most of the auditors in Jordan are accounting major and they have the ability to evaluate the company going concern (Thneibat, 1991; Asfor, 2003). However, some of the auditors in Jordan have management and economic major because the Jordanian regulation and laws states that any auditor with major from Management College in addition to 24 credit hours in accounting can get a license in audit. Therefore, there is a need to change this regulation by Jordanian government. Since an auditor with accounting major are more capable to evaluate the company's going concern.

The Law accounting profession No. 73 of 2003 in Jordanian allows anyone that has accounting qualification, business administration, general administration, economics and finance to practice the auditing career after getting their license in audit. Thneibat (1991) in his study suggested that the Jordanian auditor should have accounting qualification and his study confirm that most of auditors in Jordan have accounting qualification and hence able to evaluate the company's going concern. In other words, accounting qualification is better than other qualifications (business administration, general administration, economics and finance) to evaluate the company going concern. This study shows that the relationship between study major

and the auditor evaluation of the company's going concern is weak and insignificant. Thus, the government of Jordan should develop new regulation related to study major whereby the external auditors should have professional accounting qualification since accounting qualification is necessary for an auditor to evaluate the company's going concern

5.1.3 Experience in Auditing (H3)

An insignificant positive relationship is found in the relationship between experience in auditing and the auditor evaluation of the company's going concern. This positive relationship may be interconnected with the experience in accounting. If the auditors have more experience in accounting, it is expected that auditors have more experience in auditing and vice-versa. This shows that most Jordanian external auditors have less experience in auditing and therefore not enough to evaluate the company's going concern. This is because most of the external auditors in Jordan have less than 2 years experience in auditing. In fact, this result comply to the recommendations made by the Scientific Conference No. 5 that was held in Amman in 2003, where the result shows that erroneous practices of some Jordanian auditors are caused by lack of practical and scientific experience. This has an effect on the evaluation of the companies going concern in a negative way. This result is also confirmed by Ashton (1991). He pointed out that the more experience and knowledgeable the auditor is, the more he is able to discover the errors and deviation in the financial statements. Matter (2003) also showed that most of the auditors in Jordan do not have enough experience to evaluate the company's going concern. Therefore, it is important that the Jordanian government regards this issue seriously in addition to issuing new regulations that are related to auditor's experience in

obtaining more auditing experience to evaluate the company's going concern so as to prevent any auditor who has less experience than 2 years to evaluate the company's going concern. This is because those auditors have no strong background in making decision related to the evaluation of the company's going concern strategies.

Auditing experience is very important to evaluate the company's going concern. The more experienced the auditor in auditing, the better the evaluation of the company's going concern (Asfor, 2003; Ashton, 1991; Kasharmeh, 2003). Therefore, lack of experience (less experience) can leads to incorrect practices in the going concern evaluation, where the auditor may not discover the errors and deviations in the financial statements. This study found that most of the auditors (46%) in Jordan have less experience in auditing and this has affected the evaluation of the company's going concern. Therefore, the government of Jordan should also issue new regulations related to this factor. Before approving any audit license to the auditors, the government should make sure that the auditors have enough experience to practice the audit work.

5.1.4 Experience in Accounting (H4)

Experience in accounting is positively but not significantly related to the auditor's evaluation of the company going concern. Again, the researcher observes that the respondents have less experience in accounting as well as in auditing. Experience in accounting is an essential requirement before getting the license to audit. Experience in accounting is a vital role in evaluating the company's going concern. In reality, most of the external auditors in Jordan have experience less than two years in accounting. Therefore, the Jordanian government should issue new regulations

related to experience in accounting and getting license to audit. The fact is, the more accounting experience the auditor has, the better he / she is to evaluate the company's going concern. In other words, the auditors who have more than 2 years experience in accounting is better than who have less than 2 years experience in accounting to evaluate the company's going concern.

Experience in accounting is also another very important factor to evaluate the company's going concern. However, this study found that most of the external auditors in Jordan have less experience. The accounting experience is not enough to accompaniment the development of the investments in Jordan especially in evaluating the company's going concern. The users of the financial statement (policy makers) depend on the auditor's report in making the investment decision. The researcher believes that lacking in accounting experience and in auditing is due to the migration of most experience auditors to work abroad because of the high audit fees and income outside the country.

5.1.5 Audit Fees (H5)

Audit fees was found to be significantly and positively related to the auditor evaluation of the company's going concern. Respondents disclosed fees information to secure good evaluation to company's going concern in the eye of the users of the financial statements. However, Albasheer (2003) found that Jordan Company's law did not determine the auditor's fees but gives full responsibility to the company's management to determine the audit fees. Matter (1994) also found that audit fees was an important factor and had a negative effect on the independence of the auditor. In Jordan, the audit fees charged is not appropriate to auditor's efforts. Therefore, the

Jordanian government should issue new regulations to insure a suitable audit fees. This factor is very important to improve in evaluating the company's going concern. In addition to that, the result of this study also shows that auditor who gets more audit fees is better in evaluating the company's going concern.

5.1.6 Social Relationships (H6)

A significant positive relationship was found between social relations and auditor evaluation of the company's going concern. Social relation shows a strong predictor for auditor evaluation of the company's going concern. It was hypothesized that there is a relationship between social relations and the auditor evaluation of the company's going concern. The study found empirical evidence to support the hypothesis. The findings confirm that the higher the social relations between the auditor and the management, the better they work to improve the evaluation of the company's going concern, with other factors being constant and vice versa. Furthermore, Simunica (1980) said that the duration of the relationship between the external auditor and the agent (company management) leads to support auditor independence.

5.1.7 Consultant Services (H8)

There is a significant negative relationship between consultant services and the auditor evaluation of the company's going concern. Siam (2003) and Khasharmeh (2003) study showed that consultant services negatively affected the independence of the external auditor in Jordan. Consequently, Guy and Zeff (2002) opposed the external auditor for giving consultant services especially after the collapse of the Athron Power Company. This study found that the implementation of the consultant services by the external auditor to the company lead to the decline of the evaluation

of the companies going concern by him. This is due to the fact that the findings confirm that the more consultant services by the auditor to the company, the lower they work to improve the evaluation of the company's going concern, while other factors being constant and vice versa. This study also shows that the consultant services are moderately correlated but negatively related to the auditor evaluation of the company's going concern. However, it is significant to the auditor evaluation of the company going concern. Surprisingly, the findings showed that when consultant services increase, the auditor evaluation of the company's going concern decrease. For that reason the auditors should attempt to impede the implementation of the process of the evaluation of the company's going concern especially when the company has impending failure. In that case (possible failure) the auditor will feel that his reputation as a consultant is related to the reputation of the company, which obliges him not to take any action that might affect the reputation of that company (Shultz,1978). This result may be a relic in which consultant services was operationalized. Thus, as this finding is provocative, further research with better measures is required. Therefore, the Jordanian government should take this issue seriously and formulate a general policy to deal with it.

5.1.8 Hiring and Dismissing of the Auditor (H9)

A significant positive relationship was found between hiring and dismissing the auditor and the auditor evaluation of the company's going concern. Further, hiring and dismissing the auditor was a strong predictor of the auditor evaluation of the company's going concern. It was hypothesized that there is a relationship between hiring and dismissing the auditor and the auditor evaluation of the company's going concern. The study found empirical evidence to support the hypothesis. The findings

confirm that the higher the hiring and dismissing of the auditor, the better they (auditors) work to improve the evaluation of the company's going concern, while other factors being constant and vice versa. The findings confirm empirically the argument of the legal requirements in Jordanian law that stipulated the power of selecting the auditor by the shareholders.

The result of this study also supported the existence of continuing emphasis on hiring and dismissing the auditor by a third party. Kasharmeh (2003) showed that selecting the auditor by a board of directors, negatively affects the auditor independence in evaluating the financial statements. Matter (1994) showed in his study that the role of the administration in hiring and dismissing the auditor was very important and had a negative effect on the independence of the auditor. Teho (1992) also believed the strategic auditor who gives an unqualified opinion in order not to be dismissed, which negatively affects his independence. Furthermore, Citron and Toffler (1992) revealed that the auditor did not depend on the facts in his evaluation, but on the fear of being change.

5.1.9 Size of the Auditing Firm (H10)

The study found empirical evidence to support the hypothesis that size of the audit firm is positively related to the auditor evaluation of the company's going concern. It was also found from the multivariate analysis that size of the audit firm is a predictor or a significant explanatory variable of the auditor evaluation of the company's going concern. These findings confirm the agency and accountability theories that the degree of improvement of the evaluation of the company's going concern by the auditor increases if the degree of the size of the audit firm increases (while other

factors remained constant) and vice versa. The findings are consistent with the study by Priscilla and Devine (1995).

Priscilla and Devine (1995) claimed that the success of an external auditor in evaluating the company's going concern is affected by factors such as the size of the audit firm. Despite their significant role in the economy, small audit firms have been encountering many problems and constraints in their work which affect their evaluation of the company's going concern. The common problems faced by small audit firms range from their lack of independence to give unqualified opinion (clean opinion) related to the company's going concern. The researcher observed that bigger audit firms are better than small audit firms in evaluating the company's going concern. This study confirms this factor. Therefore the Jordanian government should integrate between small audit firms with the bigger firms or among them. Thus, the use of quantitative measures to express the audit firm size is useful to support the auditor evaluation of the company's going concern. A survey study by Hummedat (2002) found that small audit firms were dubious to the audit quality. He showed that big firms issue more reliable and accurate reports than the small ones.

Furthermore, the relationship among the external auditor, companies, and the evaluation of the company's going concern is obvious. The ISA No. 570 cover the procedures related to the evaluation of the company's going concern. The result enhanced responsibility of the external auditor in improving the evaluation of the company's going concern. The findings also display that some of the auditing-related factors (including the hiring and dismissing the auditor, consultant services, audit fees, social relations, and size of the audit firm) do improve the performance of the

external auditor to evaluate the company's going concern. It means that as long as the users of the financial statements are willing to activate the role of the external auditor in relation to the improvement of the evaluation of the companies going concern, they should support the auditor with regards to auditing-related factors.

As a mentioned earlier, this study observes that the Jordanian external auditors do practice International Standard on Auditing (ISA No.570) as an approach to solve the company's going concern issues. In addition to that, this study yielded that the increase of hiring and dismissing the auditor, audit fees, size of the audit firm and social relations do contribute to the improvement of the auditor evaluation of the company's going concern. On the other hand, the decrease of the consultant services given to clients contribute better in improving the auditor evaluation of the company's going concern.

To overcome the problems related to the evaluation of the companies going concern by the auditors, the Jordanian government should conduct special training programs on going concern evaluation issues, develop recycling program, and give rewards to auditors or researchers or anyone who develop new policies on going concern evaluation. The Jordanian government should also motivate the external auditors to initiate in evaluating the company's going concern seriously and carefully.

On the other hand, training programs related to the evaluation of the company's going concern must be practiced by the external auditors. This will improve their ability to evaluate the company's going concern and hence decrease in the hiring and dismissing of the auditor.

5.2 Summary of the Study – The Research in a Nutshell

This empirical study attempts at finding plausible answers to several questions pertaining to the company's going concern evaluation in Jordan: A study on factors affecting auditor decision especially in relation to the external auditor evaluation of the company going concern. Literature revealed that there is lack of consistency in the outcomes available particularly in respect of demographic factors and auditing-related factors contributed to the auditor evaluation of the company's going concern. The paradoxical phenomenon also suggests that more studies are needed not only for better understanding of the role and contributions of demographic factors and auditing-related factors practices but also for clearer insight into the manner in which it affects the auditor evaluation of the company's going concern. This study has moved towards this direction. This study has investigated the theoretical linkages between demographic factors and auditing-related factors elements in relation to the auditor evaluation of the company's going concern. Chapter Two has discussed the related relevant variables; Chapter Three has discussed the hypotheses development, measurement and the methodology while Chapter Four has showed the results statistically. This study has answered the research questions regarding these issues and this will hopefully contribute to the Jordanian government, organizations and academicians.

As mentioned in Chapter Three, multiple regression was used to assess the auditor's evaluation of the company's going concern. There are twelve variables posited that affected the auditor evaluation of the company going concern (demographic and auditing related factors). Cohen and Cohen (1983) and Hair et al. (2006) claimed this is appropriate when testing dependent and the prediction of a metric dependent

variable by other independent variables. Other literature has also revealed consistently the importance of auditing-related factors in its relationship with auditors' performance. However, previous studies only focus on independence of the external auditor and the risks of the audit in Jordan, but not on the evaluation of the company's going concern such as audit fees, experience in accounting, experience in auditing, consultant services, and social relations.

Jordanian government has focused on the company's going concern throughout the past decade. It is expected that the pressures (companies' failure, international investments in Jordan in addition to privatization) have caused this evolution in auditing practice. The external auditors need to prepare themselves to meet these pressures. The long-term sustainability of the companies depend on the early warning by the external auditor to the management regarding matters related to the company's going concern. Therefore, the external auditors need to take over a global perspective when evaluating the company going concern.

Accordingly, various policies and strategies are currently developed and implemented by the Jordanian government in order to ensure sustainability development of the nation. The growing concern relating to non adherence to the companies going concern in the auditor's report is taking a global dimension. Since, its effect the decision makers, society security, and the country's economy.

Previous studies also found that the problems of the external auditor evaluation of the company's going concern are related to auditors' practices. For example, there was no commitment to the requirements of preparing reports in addition to non-commitment

to the ISA No. 570 by most of the auditors. This weakens the credibility of the report and negatively affects its users (Matarneh, 2003).

Besides that, studies by various researchers have demonstrated that the quality of the external auditors' performance in evaluating the going concern of the company depends critically on the level of knowledge and experience (Bashtawi and Sufian, 2003; Ashton, 1991). Consequently, higher experience and higher education help create awareness, concern, recognition of the consequences of their actions and thus adopting a legal responsible toward their evaluation of the company going concern (Asfor, 2003). However, the findings of this study contradicts this fact, since this study shows that external auditors in Jordan do not have enough experience in auditing and accounting in addition to low level of academic qualification to evaluate the company going concern. However, ISA No (570) does help external auditors to improve the overall evaluation of the company's going concern and also to increase the responsibility of the auditor.

In this study, demographic factors and auditing-related factors used to improve the quality in the evaluation of the company's going concern; especially in improving the auditors' performances are discussed.

In relation to consultant services, this study has illustrated the presence of considerable level of consultant services among the respondents. However, this cannot be achieved if everyone in the audit firms do not work together towards the common goal of achieving the commitment in the ISA No. 570 through the evaluation of the company's going concern. For example, audit firms should control their external auditors in practicing the consultant services. To do this, they need to

understand and display greater commitment to the Jordanian law and regulations in addition to understand and commit ISA No 570. The trust among the external auditors is also important. Besides that, all external auditors should be involved in preventing and correcting problems that are related to the evaluation of the company's going concern. They must be allowed to use and release their energy to support the audit objectives. As Venuti (2004) pointed out, auditors should review management's plans related to company going concern and give early warning to the management in case there exist doubt related to the company's going concern.

The respondents had identified audit fees as one of the factors that are related to the auditor evaluation of the company going concern. The increase in audit fees have increase on effect on their performance in evaluating the company's going concern and vice versa. Previous studies (see for example, Sumunica, 1980; Palmors, 1986; Francia and Simon, 1987; DeAngelo, 1981) found similar findings where there is a positive relationship between the audit fees and the auditor's independence.

The changes in the implementation of the ISA No 570 are also a learning curve for both the Jordanian government and the external auditors and both their roles cannot be disregarded likely. This is because the Jordanian government must be supportive on any new programs or standards related to auditor's decision towards the company's going concern evaluation. However, if the external auditors are not committed to the changes, there is little chance that success can be achieved to overcome the problems of the going concern evaluation in Jordan. Therefore, the external auditors' role during the initiation or modification of any program is

indispensable, as their understanding and acceptance of the program is the first step towards the implementation and later preservation of the program.

There are clearly positive legal and economic benefits that accrue those who implement effective company's going concern audit. The external auditors need to be aware of their legal duties and responsibilities toward their decisions on the company's going concern in their reports.

Size of the audit firms, one form of the auditing-related factors, offers an important option for the external auditors to improve the evaluation of the company's going concern. Empirical evidence indicates bigger audit firms were associated with greater improvement on the auditor evaluation of the company's going concern. This finding suggests that the Jordanian government should view size of the audit firms as an important tool for the auditor in evaluation of the company going concern. However, the issue of the size of the audit firms is not new as suggested by this study. The Jordanian government should create activities that can support the achievement of small audit firm's integration strategy since this will gave a great impact on the major strategies dimensions of going concern evaluation by the external auditors. This will also enhance the audit firm's reputation and competitive position in the market-place. With the integration of the small audit firms, this will hopefully improve the audit firm's ability to evaluate the company's going concern.

5.3 Implications of the Study

This section firstly presents the implications of the study to Jordanian government, external auditors', and users of the financial statements. The next implication of the study is towards the building of theory and knowledge enhancement in the evaluation of the company going concern by the auditor.

It was found that audit firm size do relates to the auditor evaluation of the company's going concern. The bigger the audit firm, the higher the evaluation of the company's going concern and vice versa. In addition to that, it also affects the auditor decision in reporting the company's going concern. The findings also suggest that the Jordanian government should issue new policy to increase the audit firm's size (integration of the small audit firms) for the betterment of the auditor in evaluating the company's going concern. In relation to that, hiring and dismissing the auditor by third-party or by the general assembly (annual meeting), social relations, audit fees, and consultant services also relate significantly to the auditor evaluation of the company's going concern. Hence, Jordanian government should seriously increased its effort towards the improvement on this issue since it is found that without giving any early warning regarding the company's going concern will implicitly impaired Jordan economy and social performance. The new regulations will hopefully helping to protecting the interest of the stakeholders and financial statement users.

The findings of this study also contribute to the area of economic and social responsiveness in particular, and to the field of the auditor evaluation of the company's going concern in general.

5.4 Contribution of the Study

5.4.1 Theoretical Contribution

Although several authors in auditing have mentioned or explained factors related to company's going concern disclosure, this study is the first to systematic study in determining factors that contribute to the disclosure of the company's going concern by looking at the demographic factors and auditing-related factors in addition to ISA No. 570. The findings of this study contribute to the empirical knowledge towards increasing responsibility of the external auditor in evaluating the company's going concern, and the disclosure regarding the company's going concern in his report.

This study also establishes the external auditors' responsiveness related variables. To the knowledge of the researcher, previous literatures were silent about it. Thus, the finding of this study has contributed to the enhancement of understanding the dynamics of the external auditors' responsiveness relating to the evaluation of the company's going concern.

5.4.2 Audit Contributions

The results are of interest to auditors who faced with decisions regarding the company's going concern. While some view auditing-related factors "firm size", the research provide evidence that the integration of the small audit firms, prevention of the consultant services, social relationships improvement, and improvement of the audit fees do improve the evaluation of the company's going concern by the external auditor. The results also help practitioners to understand what audit firms are practicing by means of ISA No. 570. The results of this research indicate that auditing-related factors do have an impact on the auditor evaluation of the company's

going concern. In general, auditing standards have attempts to capture the evaluation of the company's going concern burdens of an entire facility or organizations and encourage continual improvement of the auditor evaluation of the company going concern (Gray and Manson, 2003).

In short, this study seems to indicate that the external auditor in Jordan has the ability more than the average to evaluate the company's going concern. Nevertheless, most of the external auditors disregard explanatory paragraph in their reports which are related to the company's going concern. These are important findings for the users of the financial statements specifically. Besides that, Jordanian government must have a strong control on the external auditor practices regarding evaluation of the company's going concern and their audit reports.

5.4.3 Research Contributions

The development and integration of demographic factors and some of auditing-related factors in addition to auditor decision related to company's going concern and his evaluation of the company's going concern is still relatively new to academics and researchers in auditing field. The development of research regarding the company's going concern evaluation is currently occurring, and hence, there is ample opportunity for advancement in this area. Therefore, the work in this area is interdisciplinary and cross-functional, so the use and development of theory from a variety of fields is necessary to enhance the body of knowledge in this area. However, various scopes and levels of research in this area is still required such as harmonization and standardization of financial reporting in the evaluation of the company's going concern, and also the usage of the ISA No. 570.

The relationships tested in this research are straightforward. However, the complexity of testing these relationships dealt not only with the accumulation of data, theory building and model testing, but also with the issues of non-normality and theory development. The complex relationships recovered by this study demonstrate what constructs and relationships are important, while unsolved issues surrounding those multiple relationships are still not significant in the hypothesized model.

5.4.4 Contribution to Regulators, Policy Makers and the Jordanian Government

Command and control regulations are still another important tool in Jordanian laws and ISA No. 570. The Law of Career of Accounting No. 73 (2003) in Jordan, Law of Jordanian Companies No. 22 (1997), Law of Jordanian Banks and Jordanian Securities Commission Law No. 76 (2002) were issued to establish the audit quality. The Jordanian government has acted seriously in relation to the application of the international accounting and auditing standards by the external auditors. According to these laws, the external auditor in Jordan should check the accounts and financial statements with due care to protect the Jordanian economy. Under such circumstances, successful implementation of the Jordanian laws and ISA No. 570 are only possible with close cooperation and coordination between the Jordanian government and the external auditors with regard to the evaluation of the company's going concern. For example, if the external auditor did not indicate in his report regarding the company's going concern this will surely effect the company's going concern negatively. In addition to that, this is also true if the external auditors concentrated more on the consultant services. Therefore, regulators, policy makers and the Jordanian government should give more priority and have close relationship with the auditors so as to hinder collaboration efforts to overcome going concern

problems in Jordan. This is also related to the non commitment in the implementation of the ISA No. 570. Jordanian laws, and regulations in addition to ignoring the benefits of the evaluation of the company's going concern by the external auditor. Therefore, the regulators, policy makers and Jordanian government should increase more control on the auditors' practices in evaluating the company's going concern.

Currently, the Jordanian laws and ISA No. 570 compel the external auditor to include company's going concern in his report. That is why most of the external auditors disregard these laws. Actually, to date there are no local standards regarding company's going concern in Jordan. It is hoped that the Jordanian government and Jordanian Association of Certified Public Accountants (JACPA) should have more control on the auditor's report related to the evaluation of the company's going concern. Furthermore, in 2003, the Jordanian Law have given the Jordanian Association of Certified Public Accountants (JACPA) an active role relating to inspection, control and assessment of the Jordanian external auditors committed to the International Standards on Auditing. Thus, Jordanian government should enforce and make it compulsory so that the external auditor will be more responsible and more responsive towards evaluating company's going concern issues in the future.

5.5 ASSUMPTIONS AND LIMITATIONS

5.5.1 Assumptions

Respondents are assumed to know and understand the laws, regulations and International Standard on Auditing (ISA No. 570) in evaluating the company's going concern. Respondents are also assumed to know the term "audit fees", "hiring and dismissing the auditor", "consultant services", social relations", and audit firm size", and other related terms used in this study. These have been defined and explain in the questionnaire. Finally, the respondents are assumed to have the knowledge in auditing regarding the evaluation of the company's going concern and also to identify the problems concerning company's going concern in their reports.

5.5.2 Limitations

There are number of limitations that have to address in the future research. Firstly, the sample is only on the external auditors registered in Jordanian Association of Certified Public Accountants (JACPA) for the year 2007. In reality, not all the external auditors are practicing the audit in Jordan; 42 auditors are working abroad, 44 auditors are working as accountants in Jordanian companies, and 2 auditors died. Therefore, the sample of the study was actually 385 auditors and only 211 respondents were received. Therefore, future research should attempt to incorporate a larger sample size to increase generalizability of the results.

Furthermore, the available 211 samples (with a response rate 54.8 %) of external auditors may not be sufficiently large. Even though the data size meet the requirement for statistical analysis for this study, and the sample statistics strongly support the reliability of the sample, some caution must be exercised in generalizing

the findings. This study only examines the relationships on the evaluation of the company's going concern. Future research should examine these relationships by comparing results across various scopes in audit. Both auditor's decision and evaluation of the company's going concern should be extending in future research.

Another limitation is potential "self-reporting bias". This is a common problem when collecting data from the external auditors regarding their audit work, specifically about evaluation of the company's going concern issues which concern them. Further, it is difficult to identify the level of appropriate knowledge and performance of the external auditor. However, the measurement of the evaluation of the company's going concern by the external auditor has improved over time. Furthermore, most of the existing literatures on company's going concern evaluation are only confined to a specific auditor's performance. Hence, this study has used survey method to evaluate the company's going concern by the external auditor so as to be more result effective.

Besides that, this study assumed that respondents do not consciously or unconsciously represent the truth. This limitation may have affected the findings since it is based on survey data and may be subject to audit desirability bias. However, audit desirability bias (consciously or unconsciously the respondent wishes to create a favorable impression), agreement bias (the respondent tends to agree with all questions), and deliberate falsification are common types of respondent error in survey studies (Zikmund, 2000). Even if the study has selected the samples according to random probability sampling, a random probability error is still unavoidable (Zikmund, 2000). Hence, the samples may have been biased because the

particular groups surveyed may have been from the same audit firm, thus it would be expected that they would have similar responses.

The next limitation involves the use of multivariate analysis. Basically, the conceptual model is designed to only test whether the theoretical model can be rejected. The model does not establish causality.

Finally, the issue on the evaluation of the company's going concern by the external auditor, auditor's decision about the company's going concern, demographic factors, and auditing-related factors is still in the early stages of development. With many normative but few good empirical articles to draw from, the dearth of research calls for both qualitative and quantitative research. Thus, the approach of this study draws from several disciplines such as financial accounting and audit operations by using both qualitative and quantitative methods.

5.5.2.1 Methodology Limitations

The first limitation concerns with time horizon. Being cross-sectional instead of longitudinal, this study is strictly appropriately designed for correlation rather than causal analysis. An inappropriate design of time horizon can adversely affect a study in terms of scientific rigor (Sekaran, 2003).

The second limitation relates to the quantitative approach adopted in this study. Such approach while superior in several areas pertaining to research design and data analysis, tends to be handicapped compared to qualitative approach when it comes to addressing the issue of abstraction or subjectivity thus giving rise to inadequate representation of abstract constructs on the quantitative measures. In respect of this

study, although validity and reliability test are performed on all measurement items and have produced results that correspond to the acceptable level, the occurrence of such measurement bias cannot be completely ruled out.

Other important caveats that must be acknowledged with respect to the present results pertain to single respondent and audit biases. In fact, most of the information gathered were not considered highly confidential at all. However, it must be noted that the possibility of audit bias occurring in this study cannot be ignored.

Another vital and critical methodological factor regarding this issue is on the activities of evaluating of the company's going concern. It is believed that informants with less knowledge on the subject matter will result in less accurate data. Given the specialized knowledge expected of the informants, it was anticipated that only the external auditor in audit firms meet the criterion. Accordingly, a single-respondent approach (not normally recommended due to its inherent bias) was deemed best and was therefore used. In this respect, the study is considered satisfactory as the respondents were the external auditors. However, the researcher still cannot totally discount the occurrence of single-respondent bias.

5.5.2.2 Generalizability Limitations

In reality, any attempt of generalizing the findings of this study must be regard to the limitations that is associated with the study's sampling design. There are two aspects of the sampling design namely sampling frame and size. In relation to the sample of this study, the sample is the external auditors listed in the Jordanian Association of Certified Public Accountants for 2007. They are working in small and big audit firms

in Jordan. This may limit the generalizability of findings if the evaluation of the company's going concern by those external auditors is significantly different from those existing outside the framework. For example, the external auditors who are working abroad and working as accountants and in addition to 174 external auditors who did not send their opinions. To date, there is no empirical evidence to support such commonality. Therefore the findings and conclusions of this study still appear to be valid and should be noted when considering the study's general applicability regarding the external auditor concerned.

In relation to the sample size, the permissible minimum is 50 or more (Hair et al., 2006, p.196). In this study, the response rate is slightly more than 54 percent of the population. Nevertheless, there is a fear that the response rate might not be sufficiently representative in creating validity and generalizability problems in respect of the findings. Fortunately, this is subsequently allayed when all the observed findings are consistent with the result from previous studies involving larger-sized samples. Such consistency apparently suggests that validity and reliability of these findings are not adversely affected by size of the sample. To what extent this contention is true, generalization of these findings likewise may not be seriously jeopardized.

Besides, the instruments used disregard the impact of audit firm's manager on the external auditor's decision. Despite this limitation, the researcher still believes that the questions asked are a valid proxy to measure the level of the external auditor knowledge on the evaluation of the company's going concern. However, the researcher wish to suggests that other variables should be examined in future

research which could be used as a proxy for the auditor evaluation of the company's going concern.

The analysis and conclusions would have been more robust if the sample size were larger. Future studies could examine the relationship presented in this study to see if it is also applicable to the Jordan external auditors'.

The researcher considers that there is greater scope for further research in the issue of company's going concern by the external auditors. For instance, this study could extend over a longer period of time, a case study, or alternatively, involve comparative studies with other countries. Such studies will help to validate the conclusions of this study and overcome the possibility that a small, single-period data set may provide bias results. Nevertheless, despite the limitations of single-period data and a relative small sample, the researcher considers that the results of this study provide a useful insight into the evaluation of the company's going concern by the external auditor and provide a starting point for future research.

5.6 Future Research

Besides understanding the role of the external auditor in evaluating the company's going concern, findings of this study along with its limitations are paving the way for future research in related areas. Several issues are identified and awaiting investigation.

Future research in the area of the external auditor evaluation of the company's going concern can be extend in number of directions. First, a natural extension of this current study is to conduct a comparative analysis between the evaluation of the company's going concern by the external auditor in Jordan and other countries, and secondly, the use of another measure of the external auditor evaluation of the company's going concern to solidify the current findings.

In line with that, the other area of concern is regarding factors affecting the external auditor in evaluating the company's going concern. Identification of these factors is important to help increase our general understanding of the construct and his role for better going concern evaluation as a whole.

In general, R^2 is the variance of the dependent variable (the auditor evaluation of the company going concern) explained by the independent variables. R^2 in this study equal .518 meaning that there is .482 unexplained. In other words, there are other additional variables that are important in explaining dependent variable, that have not been considered in this study. So, further research might be necessary to explain more of the variance in the dependent variable. Also, this is limitations to this study and further research could consider the other variables.

Finally, this study also laid the ground work for future research in the following areas:

- Further exploration of the research between audit firms.
- Further fine tuning and extension of this study to other countries and multinational audit firms.

5.7 Concluding Comments

The external auditor should address the company's going concern issue with regard to the interests and expectations of the financial statements users. In an effort to meet these challenges, the external auditor must show his evaluation of the company's going concern in his report and gives the company management early warning about any doubts which can threaten the company's going concern. To achieve this, the external auditor needs the support from the government and Jordanian Association of Certified Public Accountants (JACPA). Therefore, Jordanian government and JACPA should issue new regulations to increase the audit fees to fit the auditors work, integrates a small audit firms, improve social relations, increase hiring and dismissing the auditor, and reduce consultant services given by the external auditors to their clients. The audit career in Jordan also needs more control, regulations, policies and systems to provide a structure for protecting the auditor's decision related to company's going concern issues. This research present a description of selected characteristics of the demographic factors together with auditing-related factors to facilitate an understanding of the evaluation of the company going concern by the external auditor and to provide a basis for additional future research.

This study has shown that the external auditors' responsiveness related variables that is, audit fees, hiring and dismissing the auditor, consultant services, social relations,

and firm size do have an association with the auditor evaluation of the company's going concern. Hence, the external auditors' views are important in sustaining and improving the evaluation of the company's going concern. It is hoped that this study help throw some light on the importance of the external auditors' responsiveness and how they can yield benefit to the users of the financial statements in relation to the evaluation of the company's going concern agenda. To the academia, it is hoped that this study has attempt in uncovering the external auditors' responsiveness in respect to the evaluation of Jordanian companies going concern. This study also serves as an important catalyst for further investigations and discussion on the subject matter so that ultimately the whole truth shall prevail.

In conclusion, any external auditor who ignores the company's going concern issues in his report must face litigations or his license will be penalised.

The research findings reported have been discussed at length in the context of the study's objectives and prior literatures. Implications of individual outcome as well as general implications of the study were deliberated to expound their significance from the academic and audit perspectives. On the whole, every questions posed have been answered and all objectives set have been met. The findings of this study are important both on the theoretical and practical level. Further, it was possible to substantiate empirically the research model developed for this study. The model can be used as an explanatory model for the external auditor in evaluating the company's going concern. This model is an original contribution to the knowledge in the field of audit. From the perspective of the external auditors, these findings can assist in developing a set of audit actions of the company's going concern evaluation strategy

that can potentially assist the auditor in enhancing the degree of the external auditor evaluation of the company going concern.

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APPENDIX A:

**QUESTIONNAIRE TO EXTERNAL
AUDITORS**

**QUESTIONNAIRE ON
GOING-CONCERN EVALUATION IN JORDAN:
A STUDY ON FACTORS AFFECTING AUDITOR DECISION**

Date: 1st January 2008

EXTERNAL AUDITORS IN JORDAN

Dear Sir/ Madam,

I am conducting a study on the above topic. This study is undertaken to fulfill the requirement of the academic program leading to a PhD (Accounting) the College of Business, University Utara Malaysia, By taking fifteen minutes of your valuable time, you are providing information that is pertinent to the study.

The external auditors from all audit firms in Jordan are asked to complete this survey. I will be most grateful if you will complete and return the survey by 30th January 2008

Thank you for your kind cooperation.

Yours sincerely,

(Qasim Ahmad Qasim Al- Awaqleh)

DEMOGRAPHIC PROFILE

(EXTERNAL AUDITORS)

SECTION A

Please "circle" the appropriate choice and fill the space

1) Your academic qualification (level)

a. Diploma b. Bachelor's degree c. Master's degree d. PhD

e. If others, please specify

2) Your major. (Specialization)

a. Accounting b. Management c. Economics d. Finance

e. If others, please specify

3) Please specify your years of experience in auditing

4) Please specify your years of experience in accounting.

.....

GOING-CONCERN EVALUATION SCALE

Instructions:

Please circle the most appropriate choice, using the following scales:

- 1. Strongly disagree 2. Disagree 3. Neither agree or disagree 4. Agree 5. Strongly agree.**

The following factors will be considered when evaluating the companies' going concern.

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
1	The working capital to know the liquidities volume.	1	2	3	4	5
2	The ability of company to pay its liabilities in due date.	1	2	3	4	5
3	The value of the company's assets to the liabilities.	1	2	3	4	5
4	Uncollectible accounts or bad debts.	1	2	3	4	5
5	Short-term borrowing to finance long-term assets.	1	2	3	4	5
6	Withdrawal of financial support by debtors.	1	2	3	4	5
7	Difficulties of getting new creditors.	1	2	3	4	5
8	High interest rates to finance long-term projects by banks.	1	2	3	4	5
9	Company's plans such as borrowing and debt restructuring.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
10	Inability of the company to pay creditors in due date.	1	2	3	4	5
11	Inability to obtain necessary finance to develop new products or for other necessary investments.	1	2	3	4	5
12	Increase of debts and decrease of liquidity.	1	2	3	4	5
13	The use of the financial ratio to judge the financial statements.	1	2	3	4	5
14	The use of vertical and horizontal analysis for the financial statements.	1	2	3	4	5
15	The comparison between the current analysis of the financial ratio with those of previous years.	1	2	3	4	5
16	The comparison of the financial ratios with those of similar companies in terms of size and activities.	1	2	3	4	5
17	The comparison between the expected results of suppositive budget with the actual results.	1	2	3	4	5
18	Losses of operations related to the previous performance of the company.	1	2	3	4	5
19	Quality defects and losses in quality caused by the malfunctioning production equipment.	1	2	3	4	5
20	Short of products.	1	2	3	4	5
21	Losses of downtime.	1	2	3	4	5
22	Operation losses.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
23	Distribution of stocks to shareholders instead of cash profit.	1	2	3	4	5
24	Liquid assets volume to know the ability of the company to distribute profit.	1	2	3	4	5
25	Revenues to expenses to show the rate of profitability and know the ability of the company to distribute the profit.	1	2	3	4	5
26	Delay or not distribute profit to shareholders.	1	2	3	4	5
27	Sales volume to know the profit	1	2	3	4	5
28	Leadership and change of managers.	1	2	3	4	5
29	Causes of the general managers turnover.	1	2	3	4	5
30	Conflicts between owners and managers.	1	2	3	4	5
31	Manager's dissatisfaction.	1	2	3	4	5
32	Efficiency of managers.	1	2	3	4	5
33	Difficulties in marketing the product.	1	2	3	4	5
34	Increase of pricing.	1	2	3	4	5
35	High competition between companies.	1	2	3	4	5
36	Low quality of the product.	1	2	3	4	5
37	Decrease of equipments related to the product.	1	2	3	4	5
38	Decrease of fundamental materials related to the product.	1	2	3	4	5
39	Decrease in worker efficiency.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
40	Relationship between workers and management.	1	2	3	4	5
41	Inability to maintain the broken equipment.	1	2	3	4	5
42	Capital investments.	1	2	3	4	5
43	Investment of loans and bonds.	1	2	3	4	5
44	Sources of internal finance.	1	2	3	4	5
45	Sources of external finance.	1	2	3	4	5
46	The balance between the internal and external sources of finance.	1	2	3	4	5
47	Late legal actions against the company.	1	2	3	4	5
48	Assets under law reservation.	1	2	3	4	5
49	Legal actions against the company or similar matters that might jeopardize the operating ability.	1	2	3	4	5
50	Contract violations and illegal acts	1	2	3	4	5
51	Consideration of law and regulations Related to the financial statements.	1	2	3	4	5
52	Changes of legislations toward companies.	1	2	3	4	5
53	Changes of internal government policy toward companies.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
54	Changes in external government policy toward companies such as attracting competitive foreign investments or prohibit import or export to any country the company count on in manufacturing or marketing its products.	1	2	3	4	5
55	Clashes between the policy of the government and the interests of companies.	1	2	3	4	5

b. The Factors that affect the external auditor's evaluation of the company's going- concern.

	1) Audit Fees	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
1	The increase of the auditor change leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	1	2	3	4	5
2	The lack of the auditor's independence leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	1	2	3	4	5
3	Big audit offices get high fees, which affects the going concern evaluation positively.	1	2	3	4	5
4	Auditors that get high fees are more able to evaluate the going concern.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
5	The financial incentives improve the auditor performance in the going concern evaluation.	1	2	3	4	5
6	The current audit fees don't suit the auditor work, which affects the going concern evaluation negatively.	1	2	3	4	5
7	low audit fees is considered one of the problems that face the audit career in Jordan, which affects the going concern evaluation negatively.	1	2	3	4	5
8	Audit quality leads to the increase of the audit fees, which affects the going concern evaluation positively.	1	2	3	4	5
9	Determining the audit fees by the board of directors affects the going concern evaluation negatively.	1	2	3	4	5
10	Determining the audit fees according to the future results of the company affects the evaluation of the company's going concern negatively.	1	2	3	4	5
11	Determining the audit fees prior to the audit process affects the evaluation of the company's going concern positively.	1	2	3	4	5
12	Determining the audit fees by the shareholders supports the auditor's evaluation of the company's going concern positively.	1	2	3	4	5

	Audit Fees	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
13	Determining the fees by a third Party such as the companies' controller, the Jordanian association of the Certified Public Accountants, and the auditing committee supports the evaluation of the company's going concern positively	1	2	3	4	5
14	Fees that don't suit the auditor's efforts, affect his evaluation of the companies going concern negatively.	1	2	3	4	5
15	Determining a lowest level of fees and guarantee its obtaining affects the evaluation of the companies going concern positively.	1	2	3	4	5
16	Distributing the auditing tasks on the auditors fairly affects the evaluation of the companies going concern positively.	1	2	3	4	5
17	Competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going concern negatively.	1	2	3	4	5
	2) Social Relations					
18	The personal relations impure the auditor independence, which affects the evaluation of the going concern negatively.	1	2	3	4	5
19	Giving consultant services to the client supports the social relations, which affects the evaluation of the going concern negatively.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
20	Social relations affect the auditor reputation in evaluating the going concern negatively.	1	2	3	4	5
21	Social relations prevent the thorough disclosure of the going concern problems introduced by the client, which affects the evaluation of the going concern negatively.	1	2	3	4	5
22	The personal relations between small offices and their clients are stronger than those of big ones, which affects the going concern evaluation negatively.	1	2	3	4	5
23	Social relations with the client lead to issuing an unqualified report, which affects the companies' going concern negatively.	1	2	3	4	5
24	The auditor commitment to the laws and regulations reduces the negative effect of the social relations on the going concern evaluation.	1	2	3	4	5
25	The increase in the working years of the auditor in a certain company leads to an inappropriate personal relation, which affects the evaluation of the going concern negatively.	1	2	3	4	5
26	The personal relationship between the auditor and the company's management affects the evaluation of the company's going concern negatively.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
27	Getting loans and gifts by the auditor from the company affects the evaluation of the company's going concern negatively.	1	2	3	4	5
	3) Management Fraud					
28	The management interruption in the auditor work deters the discovery of the losses reasons, which affects the evaluation of the going concern negatively.	1	2	3	4	5
29	The financial statements fraud or the misuse of the assets affects the evaluation of the going concern negatively.	1	2	3	4	5
30	The auditor that gets clear information is more able to evaluate the going concern	1	2	3	4	5
31	In most cases the management doesn't provide the auditor with the necessary information to evaluate the going concern.	1	2	3	4	5
32	Weakness in the information prepared by the company affects the going concern evaluation negatively.	1	2	3	4	5
33	The auditor faces obstacles that prevent him from getting necessary information, which affects the company's going concern evaluation negatively.	1	2	3	4	5
34	The Jordanian laws are not enough to prevent the management fraud and to disclose the necessary information related to the evaluation of the company's going concern	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
35	The management fraud played a significant role in the failure of companies and deterred the auditor from giving an early warning about that failure.	1	2	3	4	5
	4) Consultant services					
36	Giving consultant services makes the auditor a defender of the company since the reputation of the company concerns him, which affects the evaluation of the going concern negatively.	1	2	3	4	5
37	Giving consultant services by separate sections in the big audit offices reduces the negative effects on the going concern evaluation.	1	2	3	4	5
38	The big amount of fees the auditor gets when giving consultant services affect his evaluation of the company's going concern negatively.	1	2	3	4	5
39	When the auditor assists the company to design an internal control system, it affects the going concern evaluation negatively.	1	2	3	4	5
40	The commitment of the auditor to give permanent consultant services to his client affects his evaluation of the company's going concern negatively.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
41	Giving tax consultant services to the client by the auditor affects the evaluation of the company's going concern negatively.	1	2	3	4	5
42	Allowing the external auditor to give consultant services affects the evaluation of the company's going concern negatively.	1	2	3	4	5
	5) Hiring and dismissing the auditor					
43	Not giving consultant services by the auditor affects the decision of hiring and dismissing him.	1	2	3	4	5
44	Not giving the auditor the right to discuss his dismissing by the law affects the evaluation of the going concern negatively.	1	2	3	4	5
45	Personal relations sometimes affect the decision of hiring and dismissing the auditor, which affects the evaluation of the going concern negatively	1	2	3	4	5
46	The popularity and neutrality of the auditor affects his hiring.	1	2	3	4	5
47	The increase in the auditor change affects the evaluation of the going concern negatively.	1	2	3	4	5
48	Legal actions are of the reasons that lead to the auditor change.	1	2	3	4	5
49	Low audit fees are of the reasons that lead to the auditor change.	1	2	3	4	5
50	The company changes the auditor after receiving a qualified report.	1	2	3	4	5
51	The change of management sometimes leads to the change of the auditor.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
52	Asking for extra services is a reason for changing the auditor.	1	2	3	4	5
53	Companies that face financial problems are more likely to change the auditor.	1	2	3	4	5
54	Threatening the auditor of being dismissed by the client weakens the auditor independence, which affects the evaluation of the going concern negatively.	1	2	3	4	5
55	Some auditors don't depend on facts in evaluating the going concern in order not to be changed.	1	2	3	4	5
56	Hiring the auditor by the board of directors affects his evaluation of the company's going concern negatively.	1	2	3	4	5
57	The auditor professionalism supports his chances of being hired and decreases his dismissing.	1	2	3	4	5
58	Hiring the auditor by the general assembly affects the evaluation of the company's going concern positively.	1	2	3	4	5
59	Hiring and dismissing the auditor by a third Party such as the companies' controller and the auditing committee affects the evaluation of the company's going concern positively.	1	2	3	4	5
60	The auditor's keenness to be hired for another term affects his evaluation of the company's going concern negatively.	1	2	3	4	5
61	The board of directors controls hiring and dismissing of the auditor.	1	2	3	4	5

	6) Size of the audit office	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
62	Big audit offices are more independent in evaluating the going concern of the company.	1	2	3	4	5
63	Low quality reports affect the reputation of the big offices negatively	1	2	3	4	5
64	Big audit offices issue more credible reports.	1	2	3	4	5
65	Big audit offices are more popular than smaller ones, which affects the going concern evaluation positively.	1	2	3	4	5
66	Auditors who work in big offices are more independent in giving his opinion about the going concern.	1	2	3	4	5
67	Big audit offices care about hiring professional auditors, which affects the evaluation of the companies' going concern positively.	1	2	3	4	5
68	Big audit offices are more tolerant to the loss of any agent, which affects the evaluation of the company's going concern positively.	1	2	3	4	5
69	Big audit offices try to keep their reputation in their evaluation of the companies' going concern.	1	2	3	4	5
70	Small audit offices stick to the client's desires more than the big offices.	1	2	3	4	5
71	Big offices use state of the art technology (soft and hardware) more than smaller offices, which helps in the evaluation of the going concern.	1	2	3	4	5
72	Small offices merge lead to a better evaluation quality of the going concern.	1	2	3	4	5

	7) Legal Disputes	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
73	The realization of the laws and regulations by the auditor leads to the increase of the legal disputes, which affects the evaluation of the going concern positively.	1	2	3	4	5
74	The discussion with the management if it is not committed to the laws and regulations leads to the decrease of the legal disputes, which affects the evaluation of the going concern positively.	1	2	3	4	5
75	The fear of legal disputes leads to presenting clear and accurate information which affects the evaluation of the going concern positively.	1	2	3	4	5
76	The fear of legal disputes leads to the commitment to the laws and standards related to going concern.	1	2	3	4	5
77	The increase in the auditor change cases leads to low performance and an increase of legal disputes, which affects the evaluation of the going concern negatively.	1	2	3	4	5
78	Big audit offices pay more expenses on the legal disputes than smaller ones	1	2	3	4	5
79	Legal disputes come up as a result of the absence of an early warning to the financial statement users from the financial distress that caused failure.	1	2	3	4	5
80	The bankruptcy of most of the audit offices caused by the big number of the legal disputes.	1	2	3	4	5

		Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
81	The low quality of auditing affects the evaluation of the going concern negatively and leads to the increase of legal disputes.	1	2	3	4	5
82	The companies' failure affects the reputation of the audit offices negatively and increases the legal disputes.	1	2	3	4	5
83	The commitment to the career behavior deters the legal disputes, which affects the evaluation of the going concern positively.	1	2	3	4	5
84	Honesty and independence deter the legal disputes, which affects the evaluation of the going concern positively.	1	2	3	4	5
85	Legal disputes affect the auditor's behavior in the adjustment of his opinion on the going concern negatively.	1	2	3	4	5
86	The commitment to the international standards leads to the decrease of the legal disputes and affects the evaluation of the going concern positively.	1	2	3	4	5
87	Legal disputes between the auditor and the client affect the evaluation of the going concern negatively.	1	2	3	4	5

	8) Competition	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
88	Good reputation of the auditor decrease competition between auditors and affects the evaluation of the going concern positively.	1	2	3	4	5
89	Competition between auditors prevents a thorough disclosure about the going concern problems.	1	2	3	4	5
90	High competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going concern negatively.	1	2	3	4	5
91	High competition between auditors leads to the increase of the auditor change, which affects the evaluation of the going concern negatively.	1	2	3	4	5
92	Decreasing competition between auditors affects the evaluation of the going concern positively.	1	2	3	4	5
93	When competition between audit offices increases, big audit offices will be more hesitant in adjusting the report in order to keep its reputation.	1	2	3	4	5
94	Competition is considered a big problem for small offices more than the big ones.	1	2	3	4	5
95	Under the pressure of competition, the auditor might give consultant services that affect the evaluation of the going concern negatively.	1	2	3	4	5
96	Competition between auditors to get agents affects the auditor's evaluation of the companies going concern negatively.	1	2	3	4	5
97	Rules and regulations that prevent competition between auditors in Jordan are not enough.	1	2	3	4	5

APPENDIX B:

FACTOR ANALYSIS RESULTS

Factor Analysis (Independent variables/ metric variables)

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.606
Bartlett's Test of Sphericity	Approx. Chi-Square	12666.037
	df	4656
	Sig.	.000

Communalities

	Initial	Extraction
The increase of the auditor change leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	1.000	.742
The lack of the auditor's independence leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	1.000	.824
Big audit offices get high fees, which affects the going concern evaluation positively.	1.000	.804
Auditors that get high fees are more able to evaluate the going concern.	1.000	.755
The financial incentives improve the auditor performance in the going concern evaluation.	1.000	.730
The current audit fees don't suit the auditor work, which affects the going concern evaluation negatively.	1.000	.787
Low audit fees is considered one of the problems that face the audit career in Jordan, which affects the going concern evaluation negatively.	1.000	.800
Audit quality leads to the increase of the audit fees, which affects the going concern evaluation positively.	1.000	.731
Determining the audit fees by the board of directors affects the going concern evaluation negatively.	1.000	.774
Determining the audit fees according to the future results of the company affects the evaluation of the company's going concern negatively.	1.000	.805
Determining the audit fees prior to the audit process affects the evaluation of the company's going concern positively.	1.000	.691
Determining the audit fees by the shareholders supports the auditor's evaluation of the company's going concern positively.	1.000	.710

Determining the fees by a third Party such as the companies' controller, the Jordanian association of the Certified Public Accountants, and the auditing committee supports the evaluation of the company's going concern positively	1.000	.756
Fees that don't suit the auditor's efforts, affect his evaluation of the companies going concern negatively.	1.000	.759
Determining a lowest level of fees and guarantee its obtaining affects the evaluation of the companies going concern positively.	1.000	.746
Distributing the auditing tasks on the auditors fairly affects the evaluation of the companies going concern positively.	1.000	.778
Competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going concern negatively.	1.000	.753
The personal relations impure the auditor independence, which affects the evaluation of the going concern negatively.	1.000	.750
Giving consultant services to the client supports the social relations, which affects the evaluation of the going concern negatively.	1.000	.830
Social relations affect the auditor reputation in evaluating the going concern negatively.	1.000	.784
Social relations prevent the thorough disclosure of the going concern problems introduced by the client, which affects the evaluation of the going concern negatively.	1.000	.722
The personal relations between small offices and their clients are stronger than those of big ones, which affects the going concern evaluation negatively.	1.000	.787
Social relations with the client lead to issuing an unqualified report, which affects the companies' going concern negatively.	1.000	.766
The auditor commitment to the laws and regulations reduces the negative effect of the social relations on the going concern evaluation.	1.000	.740
The increase in the working years of the auditor in a certain company leads to an inappropriate personal relation, which affects the evaluation of the going concern negatively.	1.000	.734
The personal relationship between the auditor and the company's management affects the evaluation of the company's going concern negatively.	1.000	.740
Getting loans and gifts by the auditor from the company affects the evaluation of the company's going concern negatively.	1.000	.704
The management interruption in the auditor work deters the discovery of the losses reasons, which affects the evaluation of the going concern negatively.	1.000	.691
The financial statements fraud or the misuse of the assets affects the evaluation of the going concern negatively.	1.000	.788
The auditor that gets clear information is more able to evaluate the going concern	1.000	.814

In most cases the management doesn't provide the auditor with the necessary information to evaluate the going concern.	1.000	.822
Weakness in the information prepared by the company affects the going concern evaluation negatively.	1.000	.744
The auditor faces obstacles that prevent him from getting necessary information, which affects the company's going concern evaluation negatively.	1.000	.814
The Jordanian laws are not enough to prevent the management fraud and to disclose the necessary information related to the evaluation of the company's going concern	1.000	.758
The management fraud played a significant role in the failure of companies and deterred the auditor from giving an early warning about that failure.	1.000	.788
Giving consultant services makes the auditor a defender of the company since the reputation of the company concerns him, which affects the evaluation of the going concern negatively.	1.000	.851
Giving consultant services by separate sections in the big audit offices reduces the negative effects on the going concern evaluation.	1.000	.740
The big amount of fees the auditor gets when giving consultant services affect his evaluation of the company's going concern negatively.	1.000	.808
When the auditor assists the company to design an internal control system, it affects the going concern evaluation negatively.	1.000	.745
The commitment of the auditor to give permanent consultant services to his client affects his evaluation of the company's going concern negatively.	1.000	.725
Giving tax consultant services to the client by the auditor affects the evaluation of the company's going concern negatively.	1.000	.709
Allowing the external auditor to give consultant services affects the evaluation of the company's going concern negatively.	1.000	.735
Not giving consultant services by the auditor affects the decision of hiring and dismissing him.	1.000	.733
Not giving the auditor the right to discuss his dismissing by the law affects the evaluation of the going concern negatively.	1.000	.783
Personal relations sometimes affect the decision of hiring and dismissing the auditor, which affects the evaluation of the going concern negatively	1.000	.745
The popularity and neutrality of the auditor affects his hiring.	1.000	.747
The increase in the auditor change affects the evaluation of the going concern negatively.	1.000	.773
Legal actions are of the reasons that lead to the auditor change.	1.000	.754
Low audit fees are of the reasons that lead to the auditor change.	1.000	.807

The company changes the auditor after receiving a qualified report.	1.000	.717
The change of management sometimes leads to the change of the auditor.	1.000	.784
Asking for extra services is a reason for changing the auditor.	1.000	.749
Companies that face financial problems are more likely to change the auditor.	1.000	.718
Threatening the auditor of being dismissed by the client weakens the auditor independence, which affects the evaluation of the going concern negatively.	1.000	.714
Some auditors don't depend on facts in evaluating the going concern in order not to be changed.	1.000	.782
Hiring the auditor by the board of directors affects his evaluation of the company's going concern negatively.	1.000	.841
The auditor professionalism supports his chances of being hired and decreases his dismissing.	1.000	.759
Hiring the auditor by the general assembly affects the evaluation of the company's going concern positively.	1.000	.816
Hiring and dismissing the auditor by a third Party such as the companies' controller and the auditing committee affects the evaluation of the company's going concern positively.	1.000	.834
The auditor's keenness to be hired for another term affects his evaluation of the company's going concern negatively.	1.000	.678
The board of directors controls hiring and dismissing of the auditor.	1.000	.748
Big audit offices are more independent in evaluating the going concern of the company.	1.000	.758
Low quality reports affect the reputation of the big offices negatively	1.000	.738
Big audit offices issue more credible reports.	1.000	.746
Big audit offices are more popular than smaller ones, which affects the going concern evaluation positively.	1.000	.770
Auditors who work in big offices are more independent in giving his opinion about the going concern.	1.000	.748
Big audit offices care about hiring professional auditors, which affects the evaluation of the companies' going concern positively.	1.000	.801
Big audit offices are more tolerant to the loss of any agent, which affects the evaluation of the company's going concern positively.	1.000	.695
Big audit offices try to keep their reputation in their evaluation of the companies' going concern.	1.000	.811
Small audit offices stick to the client's desires more than the big offices.	1.000	.743
Big offices use state of the art technology (soft and hardware) more than smaller offices, which helps in the evaluation of the going concern.	1.000	.735
Small offices merge lead to a better evaluation quality of the going concern.	1.000	.725

The realization of the laws and regulations by the auditor leads to the increase of the legal disputes, which affects the evaluation of the going concern positively.	1.000	.769
The discussion with the management if it is not committed to the laws and regulations leads to the decrease of the legal disputes, which affects the evaluation of the going concern positively.	1.000	.824
The fear of legal disputes leads to presenting clear and accurate information which affects the evaluation of the going concern positively.	1.000	.838
The fear of legal disputes leads to the commitment to the laws and standards related to going concern.	1.000	.703
The increase in the auditor change cases leads to low performance and an increase of legal disputes, which affects the evaluation of the going concern negatively.	1.000	.686
Big audit offices pay more expenses on the legal disputes than smaller ones	1.000	.695
Legal disputes come up as a result of the absence of an early warning to the financial statement users from the financial distress that caused failure.	1.000	.770
The bankruptcy of most of the audit offices caused by the big number of the legal disputes.	1.000	.728
The low quality of auditing affects the evaluation of the going concern negatively and leads to the increase of legal disputes.	1.000	.805
The companies' failure affects the reputation of the audit offices negatively and increases the legal disputes.	1.000	.713
The commitment to the career behavior deters the legal disputes, which affects the evaluation of the going concern positively.	1.000	.790
Honesty and independence deter the legal disputes, which affects the evaluation of the going concern positively.	1.000	.785
Legal disputes affect the auditor's behavior in the adjustment of his opinion on the going concern negatively.	1.000	.782
The commitment to the international standards leads to the decrease of the legal disputes and affects the evaluation of the going concern positively.	1.000	.783
Legal disputes between the auditor and the client affect the evaluation of the going concern negatively.	1.000	.782
Good reputation of the auditor decrease competition between auditors and affects the evaluation of the going concern positively.	1.000	.697
Competition between auditors prevents a thorough disclosure about the going concern problems.	1.000	.837
High competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going	1.000	.835

concern negatively.		
High competition between auditors leads to the increase of the auditor change, which affects the evaluation of the going concern negatively.	1.000	.804
Decreasing competition between auditors affects the evaluation of the going concern positively.	1.000	.802
When competition between audit offices increases, big audit offices will be more hesitant in adjusting the report in order to keep its reputation.	1.000	.712
Competition is considered a big problem for small offices more than the big ones.	1.000	.748
Under the pressure of competition, the auditor might give consultant services that affect the evaluation of the going concern negatively.	1.000	.712
Competition between auditors to get agents affects the auditor's evaluation of the companies going concern negatively.	1.000	.787
Rules and regulations that prevent competition between auditors in Jordan are not enough.	1.000	.814

Extraction Method: Principal Component Analysis.

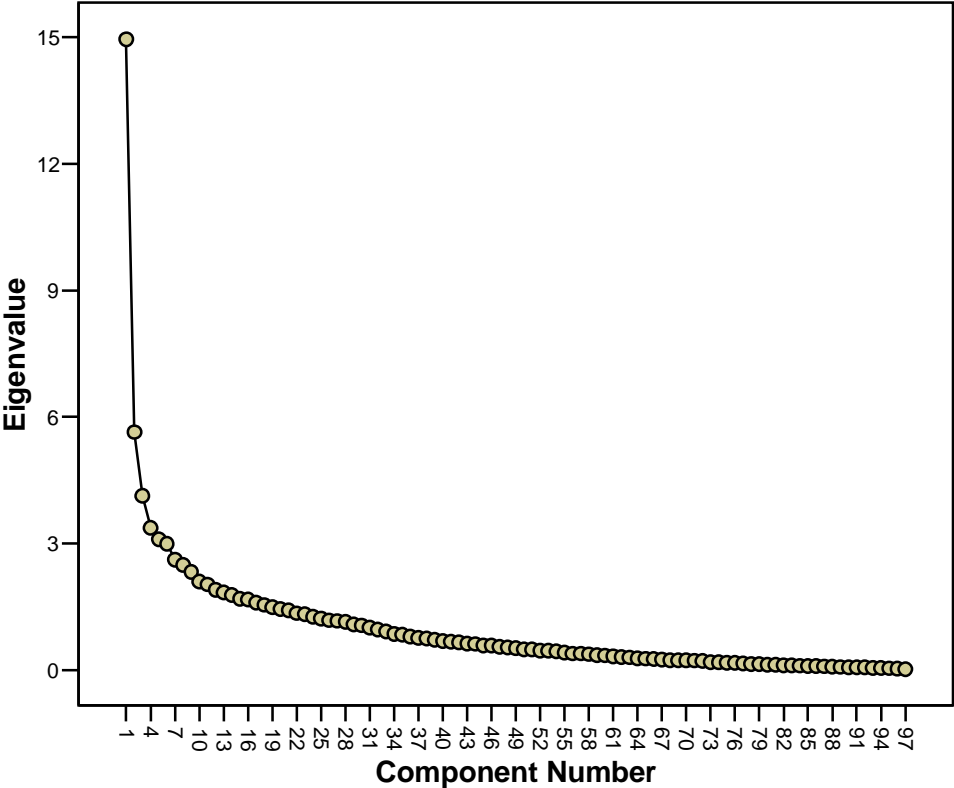
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.959	15.422	15.422	14.959	15.422	15.422
2	5.644	5.819	21.241	5.644	5.819	21.241
3	4.132	4.260	25.501	4.132	4.260	25.501
4	3.374	3.478	28.979	3.374	3.478	28.979
5	3.103	3.199	32.177	3.103	3.199	32.177
6	2.993	3.085	35.263	2.993	3.085	35.263
7	2.622	2.703	37.965	2.622	2.703	37.965
8	2.493	2.570	40.535	2.493	2.570	40.535
9	2.330	2.402	42.937	2.330	2.402	42.937
10	2.098	2.163	45.100	2.098	2.163	45.100
11	2.031	2.094	47.194	2.031	2.094	47.194
12	1.908	1.967	49.161	1.908	1.967	49.161
13	1.840	1.897	51.058	1.840	1.897	51.058
14	1.779	1.834	52.892	1.779	1.834	52.892
15	1.695	1.747	54.639	1.695	1.747	54.639
16	1.671	1.723	56.362	1.671	1.723	56.362
17	1.602	1.652	58.014	1.602	1.652	58.014
18	1.548	1.596	59.610	1.548	1.596	59.610
19	1.488	1.534	61.144	1.488	1.534	61.144
20	1.449	1.494	62.638	1.449	1.494	62.638
21	1.418	1.462	64.100	1.418	1.462	64.100
22	1.349	1.390	65.491	1.349	1.390	65.491
23	1.330	1.371	66.861	1.330	1.371	66.861
24	1.261	1.300	68.162	1.261	1.300	68.162
25	1.225	1.262	69.424	1.225	1.262	69.424
26	1.182	1.218	70.642	1.182	1.218	70.642
27	1.165	1.201	71.843	1.165	1.201	71.843
28	1.146	1.182	73.025	1.146	1.182	73.025
29	1.084	1.117	74.142	1.084	1.117	74.142
30	1.060	1.093	75.235	1.060	1.093	75.235
31	1.007	1.038	76.273	1.007	1.038	76.273
32	.961	.991	77.264			
33	.917	.945	78.209			
34	.860	.887	79.095			
35	.845	.871	79.966			
36	.792	.816	80.782			
37	.764	.788	81.570			
38	.752	.775	82.345			
39	.718	.740	83.086			
40	.693	.714	83.800			
41	.674	.695	84.495			
42	.656	.676	85.171			
43	.631	.650	85.821			
44	.622	.641	86.462			
45	.589	.607	87.069			
46	.583	.601	87.670			
47	.552	.569	88.239			

48	.538	.554	88.793		
49	.517	.533	89.327		
50	.495	.511	89.838		
51	.486	.501	90.338		
52	.465	.480	90.818		
53	.459	.473	91.291		
54	.444	.458	91.749		
55	.415	.428	92.177		
56	.394	.407	92.584		
57	.392	.404	92.988		
58	.377	.389	93.377		
59	.352	.363	93.740		
60	.345	.356	94.096		
61	.330	.340	94.436		
62	.313	.323	94.759		
63	.300	.309	95.068		
64	.275	.284	95.352		
65	.271	.279	95.632		
66	.261	.269	95.900		
67	.253	.261	96.161		
68	.238	.246	96.407		
69	.229	.236	96.643		
70	.228	.235	96.878		
71	.225	.232	97.109		
72	.217	.224	97.333		
73	.191	.197	97.530		
74	.183	.189	97.719		
75	.177	.183	97.901		
76	.170	.176	98.077		
77	.158	.163	98.240		
78	.148	.153	98.393		
79	.143	.147	98.539		
80	.130	.135	98.674		
81	.122	.126	98.800		
82	.117	.121	98.921		
83	.112	.116	99.037		
84	.105	.108	99.145		
85	.100	.103	99.248		
86	.098	.101	99.349		
87	.088	.090	99.439		
88	.080	.082	99.522		
89	.073	.075	99.597		
90	.064	.066	99.663		
91	.063	.065	99.728		
92	.061	.063	99.791		
93	.052	.054	99.845		
94	.050	.052	99.897		
95	.043	.045	99.941		
96	.032	.033	99.974		
97	.025	.026	100.000		

Extraction Method: Principal Component Analysis.

Scree Plot



Rotated Component Matrix (a)

	Component						
	1	2	3	4	5	6	7
(14) Fees that don't suit the auditor's efforts, affect his evaluation of the companies going concern negatively.	.684						
(15)Determining a lowest level of fees and guarantee its obtaining affects the evaluation of the companies going concern positively.	.652						
(11) Determining the audit fees prior to the audit process affects the evaluation of the company's going concern positively	.645						
(12) Determining the audit fees by the shareholders supports the auditor's evaluation of the company's going concern positively.	.580						
(10) Determining the audit fees according to the future results of the company affects the evaluation of the company's going concern negatively.	.580						
(9) Determining the audit fees by the board of directors affects the going concern evaluation negatively.	.562						
(17) Competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going concern negatively.	.562						
(16) Distributing the auditing tasks on the auditors fairly affects the evaluation of the companies going concern positively	.554						
(7) low audit fees is considered one of the problems that face the audit career in Jordan, which affects the going concern evaluation negatively.	.535						
(6) The current audit fees don't suit the auditor work, which affects the going concern evaluation negatively.	.534						
(3) Big audit offices get high fees, which affects the going concern evaluation positively.	.521						
(5) The financial incentives improve the auditor performance in the going concern evaluation.	.511						
(13) Determining the fees by a third Party such as the companies' controller, the Jordanian association of the Certified Public Accountants, and the auditing committee supports the evaluation of the company's going concern positively	.498						
(1) The increase of the auditor change leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	.479						

(2) The lack of the auditor's independence leads to the decrease of the audit fees, which affects the going concern evaluation negatively.	.473					
(8) Audit quality leads to the increase of the audit fees, which affects the going concern evaluation positively.	.434					
(60) The auditor's keenness to be hired for another term affects his evaluation of the company's going concern negatively.	.455					
(4) Auditors that get high fees are more able to evaluate the going concern.	.410					
(53) Companies that face financial problems are more likely to change the auditor						
(55) Some auditors don't depend on facts in evaluating the going concern in order not to be changed.						
(58) Hiring the auditor by the general assembly affects the evaluation of the company's going concern positively.	.519					
(54) Threatening the auditor of being dismissed by the client weakens the auditor independence, which affects the evaluation of the going concern negatively.	.515					
(27) Getting loans and gifts by the auditor from the company affects the evaluation of the company's going concern negatively.	.566					
(93) When competition between audit offices increases, big audit offices will be more hesitant in adjusting the report in order to keep its reputation.	.500					
(91) High competition between auditors leads to the increase of the auditor change, which affects the evaluation of the going concern negatively.	.487					
(51) The change of management sometimes leads to the change of the auditor.	.507					
(56) Hiring the auditor by the board of directors affects his evaluation of the company's going concern negatively.	.507					
(57) The auditor professionalism supports his chances of being hired and decreases his dismissing.	.481					
(49) Low audit fees are of the reasons that lead to the auditor change.	.458					
(46) The popularity and neutrality of the auditor affects his hiring.	.451					
(59) Hiring and dismissing the auditor by a third Party such as the companies' controller and the auditing committee affects the evaluation of the company's going concern positively.	.434		.421			

(41) Giving tax consultant services to the client by the auditor affects the evaluation of the company's going concern negatively.	.617				
(42) Allowing the external auditor to give consultant services affects the evaluation of the company's going concern negatively.	.573				
(24) The auditor commitment to the laws and regulations reduces the negative effect of the social relations on the going concern evaluation.					
(95) Under the pressure of competition, the auditor might give consultant services that affect the evaluation of the going concern negatively.					
(47) The increase in the auditor change affects the evaluation of the going concern negatively.					
(44) Not giving the auditor the right to discuss his dismissing by the law affects the evaluation of the going concern negatively.					
(79) Legal disputes come up as a result of the absence of an early warning to the financial statement users from the financial distress that caused failure					
(45) Personal relations sometimes affect the decision of hiring and dismissing the auditor, which affects the evaluation of the going concern negatively					
(80) The bankruptcy of most of the audit offices caused by the big number of the legal disputes.					
(36) Giving consultant services makes the auditor a defender of the company since the reputation of the company concerns him, which affects the evaluation of the going concern negatively.					
(31) In most cases the management doesn't provide the auditor with the necessary information to evaluate the going concern.					
(33) The auditor faces obstacles that prevent him from getting necessary information, which affects the company's going concern evaluation negatively.					
(40) The commitment of the auditor to give permanent consultant services to his client affects his evaluation of the company's going concern negatively	.516				
(38) The big amount of fees the auditor gets when giving consultant services affect his evaluation of the company's going concern negatively.	.470				
(39) When the auditor assists the company to design an internal control system, it affects the going concern evaluation negatively.	.450				

(65) Big audit offices are more popular than smaller ones, which affects the going concern evaluation positively.		.404			
(19) Giving consultant services to the client supports the social relations, which affects the evaluation of the going concern negatively.					
(48) Legal actions are of the reasons that lead to the auditor change.					
(89) Competition between auditors prevents a thorough disclosure about the going concern problems.					
(63) Low quality reports affect the reputation of the big offices negatively		.597			
(22) The personal relations between small offices and their clients are stronger than those of big ones, which affects the going concern evaluation negatively		.598			
(26) The personal relationship between the auditor and the company's management affects the evaluation of the company's going concern negatively.		.570			
(25) The increase in the working years of the auditor in a certain company leads to an inappropriate personal relation, which affects the evaluation of the going concern negatively.		.569			
(62) Big audit offices are more independent in evaluating the going concern of the company.		.458		.426	
(20) Social relations affect the auditor reputation in evaluating the going concern negatively.		.533			
(21) Social relations prevent the thorough disclosure of the going concern problems introduced by the client, which affects the evaluation of the going concern negatively.		.500			
(64) Big audit offices issue more credible reports.		.428			
(77) The increase in the auditor change cases leads to low performance and an increase of legal disputes, which affects the evaluation of the going concern negatively.		.413			
(78) Big audit offices pay more expenses on the legal disputes than smaller ones		.413			
(23) Social relations with the client lead to issuing an unqualified report, which affects the companies' going concern negatively.		.460			
(70) Small audit offices stick to the client's desires more than the big offices.					
(69) Big audit offices try to keep their reputation in their evaluation of the companies' going concern.				.610	
(67) Big audit offices care about hiring professional auditors, which affects the				.584	

evaluation of the companies' going concern positively							
(71) Big offices use state of the art technology (soft and hardware) more than smaller offices, which helps in the evaluation of the going concern.					.560		
(68) Big audit offices are more tolerant to the loss of any agent, which affects the evaluation of the company's going concern positively.					.555		
(66) Auditors who work in big offices are more independent in giving his opinion about the going concern.					.550		
(72) Small offices merge lead to a better evaluation quality of the going concern.					.444		
(76) The fear of legal disputes leads to the commitment to the laws and standards related to going concern.					.500		
(29) The financial statements fraud or the misuse of the assets affects the evaluation of the going concern negatively.					.406		.
(52) Asking for extra services is a reason for changing the auditor.							
(43) Not giving consultant services by the auditor affects the decision of hiring and dismissing him.							
(61) The board of directors controls hiring and dismissing of the auditor.							
(74) The discussion with the management if it is not committed to the laws and regulations leads to the decrease of the legal disputes, which affects the evaluation of the going concern positively.					.514		
(73) The realization of the laws and regulations by the auditor leads to the increase of the legal disputes, which affects the evaluation of the going concern positively.					.504		
(84) Honesty and independence deter the legal disputes, which affects the evaluation of the going concern positively.					.445		
(83) The commitment to the career behavior deters the legal disputes, which affects the evaluation of the going concern positively.					.499		.
(90) High competition between auditors leads to the decrease of the audit fees, which affects the evaluation of the going concern negatively.					.484	.465	
(86) The commitment to the international standards leads to the decrease of the legal disputes and affects the evaluation of the going concern positively.					.458		.

(96) Competition between auditors to get agents affects the auditor's evaluation of the companies going concern negatively.						.449	
(87) Legal disputes between the auditor and the client affect the evaluation of the going concern negatively.							
(85) Legal disputes affect the auditor's behavior in the adjustment of his opinion on the going concern negatively.							
(82) The companies' failure affects the reputation of the audit offices negatively and increases the legal disputes.							
(75) The fear of legal disputes leads to presenting clear and accurate information which affects the evaluation of the going concern positively.						.668	
(50) The company changes the auditor after receiving a qualified report.							
(81) The low quality of auditing affects the evaluation of the going concern negatively and leads to the increase of legal disputes.							
(92) Decreasing competition between auditors affects the evaluation of the going concern positively.						.509	
(97) Rules and regulations that prevent competition between auditors in Jordan are not enough.						.420	
(94) Competition is considered a big problem for small offices more than the big ones.						.412	
(88) Good reputation of the auditor decrease competition between auditors and affects the evaluation of the going concern positively.						.405	
(18) The personal relations impure the auditor independence, which affects the evaluation of the going concern negatively.							.4
(30) The auditor that gets clear information is more able to evaluate the going concern							.4
(34) The Jordanian laws are not enough to prevent the management fraud and to disclose the necessary information related to the evaluation of the company's going concern							.4
(35) The management fraud played a significant role in the failure of companies and deterred the auditor from giving an early warning about that failure.							.4
(32) Weakness in the information prepared by the company affects the going concern evaluation negatively.							
(37) Giving consultant services by separate sections in the big audit offices reduces the							

negative effects on the going concern evaluation. (28) The management interruption in the auditor work deters the discovery of the losses reasons, which affects the evaluation of the going concern negatively.								
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Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	7.706	7.945	7.945
2	5.935	6.119	14.064
3	5.015	5.170	19.234
4	4.698	4.843	24.077
5	4.662	4.806	28.883
6	4.441	4.579	33.462
7	3.565	3.676	37.137
8	3.296	3.398	40.535

Extraction Method: Principal Component Analysis.

Component Transformation Matrix

Component	1	2	3	4	5	6	7	8
1	.540	.446	.356	.326	.341	.304	.160	.207
2	-.606	.454	-.280	-.070	.142	.375	.418	.089
3	-.470	-.118	.504	.638	-.046	.025	-.049	-.315
4	.234	.233	-.037	.085	-.858	.173	.260	-.223
5	-.133	.402	.526	-.406	-.048	-.582	.195	.000
6	-.034	-.527	.459	-.372	-.071	.441	.351	.222
7	.066	-.277	-.212	.387	.017	-.451	.652	.309
8	-.206	.104	.082	.150	-.344	-.010	-.379	.810

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Factor Analysis (Dependent variable)

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.738
Bartlett's Test of Sphericity	Approx. Chi-Square	4931.513
	df	1485
	Sig.	.000

Communalities

	Initial	Extraction
(1) The working capital to know the liquidities volume.	1.000	.796
(2) The ability of company to pay its liabilities in due date	1.000	.835
(3) The value of the company's assets to the liabilities.	1.000	.706
(4) Uncollectible accounts or bad debts.	1.000	.658
(5) Short-term borrowing to finance long-term assets.	1.000	.663
(6) Withdrawal of financial support by debtors.	1.000	.641
(7) Difficulties of getting new creditors.	1.000	.688
(8) High interest rates to finance long-term projects by banks.	1.000	.634
(9) Company's plans such as borrowing and debt restructuring.	1.000	.756
(10) Inability of the company to pay creditors in due date.	1.000	.649
(11) Inability to obtain necessary finance to develop new products or for other necessary investments.	1.000	.745
(12) Increase of debts and decrease of liquidity.	1.000	.606
(13) The use of the financial ratio to judge the financial statements.	1.000	.668
(14) The use of vertical and horizontal analysis for the financial statements.	1.000	.649
(15) The comparison between the current analysis of the financial ratio with those of previous years.	1.000	.755
(16) The comparison of the financial ratios with those of similar companies in terms of size and activities.	1.000	.745
(17) The comparison between the expected results of suppositive budget with the actual results.	1.000	.682
(18) Losses of operations related to the previous performance of the company.	1.000	.739
(19) Quality defects and losses in quality caused by the malfunctioning production equipment.	1.000	.624
(20) Short of products.	1.000	.618
(21) Losses of downtime.	1.000	.703

(22) Operation losses.	1.000	.551
(23) Distribution of stocks to shareholders instead of cash profit.	1.000	.658
(24) Liquid assets volume to know the ability of the company to distribute profit.	1.000	.661
(25) Revenues to expenses to show the rate of profitability and know the ability of the company to distribute the profit.	1.000	.669
(26) Delay or not distribute profit to shareholders.	1.000	.614
(27) Sales volume to know the profit	1.000	.601
(28) Leadership and change of managers.	1.000	.722
(29) Causes of the general managers turnover.	1.000	.703
(30) Conflicts between owners and managers.	1.000	.605
(31) Manager's dissatisfaction.	1.000	.726
(32) Efficiency of managers.	1.000	.638
(33) Difficulties in marketing the product.	1.000	.701
(34) Increase of pricing.	1.000	.588
(35) High competition between companies.	1.000	.723
(36) Low quality of the product.	1.000	.732
(37) Decrease of equipments related to the product.	1.000	.639
(38) Decrease of fundamental materials related to the product.	1.000	.698
(39) Decrease in worker efficiency.	1.000	.739
(40) Relationship between workers and management.	1.000	.655
(41) Inability to maintain the broken equipment.	1.000	.687
(42) Capital investments.	1.000	.695
(43) Investment of loans and bonds.	1.000	.711
(44) Sources of internal finance.	1.000	.793
(45) Sources of external finance.	1.000	.701
(46) The balance between the internal and external sources of finance.	1.000	.695
(47) Late legal actions against the company.	1.000	.684
(48) Assets under law reservation.	1.000	.565
(49) Legal actions against the company or similar matters that might jeopardize the operating ability.	1.000	.696
(50) Contract violations and illegal acts	1.000	.659
(51) Consideration of law and regulations Related to the financial statements.	1.000	.732
(52) Changes of legislations toward companies.	1.000	.564
(53) Changes of internal government policy toward companies.	1.000	.607
(54) Changes in external government policy toward companies such as attracting competitive foreign investments or prohibit import or export to any country the company count on in manufacturing or marketing its products.	1.000	.726
(55) Clashes between the policy of the government and the interests of companies.	1.000	.711

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.352	18.821	18.821	10.352	18.821	18.821
2	3.371	6.130	24.951	3.371	6.130	24.951
3	2.548	4.633	29.584	2.548	4.633	29.584
4	2.355	4.281	33.866	2.355	4.281	33.866
5	2.053	3.733	37.599	2.053	3.733	37.599
6	1.885	3.428	41.026	1.885	3.428	41.026
7	1.805	3.282	44.308	1.805	3.282	44.308
8	1.658	3.015	47.324	1.658	3.015	47.324
9	1.550	2.818	50.142	1.550	2.818	50.142
10	1.480	2.691	52.832	1.480	2.691	52.832
11	1.467	2.667	55.499	1.467	2.667	55.499
12	1.305	2.372	57.871	1.305	2.372	57.871
13	1.203	2.187	60.058	1.203	2.187	60.058
14	1.153	2.096	62.154	1.153	2.096	62.154
15	1.101	2.001	64.155	1.101	2.001	64.155
16	1.074	1.953	66.108	1.074	1.953	66.108
17	1.049	1.907	68.015	1.049	1.907	68.015
18	.967	1.759	69.773			
19	.937	1.704	71.477			
20	.879	1.597	73.075			
21	.848	1.541	74.616			
22	.820	1.490	76.106			
23	.810	1.473	77.579			
24	.780	1.419	78.998			
25	.731	1.328	80.326			
26	.704	1.280	81.606			
27	.677	1.231	82.837			
28	.610	1.109	83.946			
29	.599	1.090	85.036			
30	.572	1.041	86.077			
31	.562	1.022	87.099			
32	.529	.962	88.061			
33	.512	.931	88.992			
34	.489	.890	89.882			
35	.439	.798	90.680			
36	.428	.779	91.459			
37	.426	.774	92.233			
38	.390	.709	92.941			
39	.377	.686	93.627			
40	.342	.622	94.249			
41	.321	.583	94.832			
42	.299	.544	95.376			
43	.285	.518	95.894			
44	.272	.495	96.389			

45	.260	.472	96.860			
46	.245	.445	97.305			
47	.234	.426	97.731			
48	.206	.374	98.105			
49	.191	.346	98.451			
50	.181	.329	98.781			
51	.159	.288	99.069			
52	.151	.275	99.344			
53	.127	.230	99.574			
54	.125	.228	99.802			
55	.109	.198	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix (a)

	Component 1
(50) Contract violations and illegal acts	.604
(48) Assets under law reservation.	.599
(52) Changes of legislations toward companies.	.590
(32) Efficiency of managers.	.552
(31) Manager's dissatisfaction.	.539
(41) Inability to maintain the broken equipment.	.536
(27) Sales volume to know the profit	.531
(29) Causes of the general managers turnover.	.531
(53) Changes of internal government policy toward companies.	.517
(45) Sources of external finance.	.514
(26) Delay or not distribute profit to shareholders.	.514
(49) Legal actions against the company or similar matters that might jeopardize the operating ability.	.509
(24) Liquid assets volume to know the ability of the company to distribute profit.	.496
(55) Clashes between the policy of the government and the interests of companies.	.482
(30) Conflicts between owners and managers.	.480
(20) Short of products.	.480
(16) The comparison of the financial ratios with those of similar companies in terms of size and activities.	.465
(5) Short-term borrowing to finance long-term assets.	.463
(19) Quality defects and losses in quality caused by the malfunctioning production equipment.	.453
(18) Losses of operations related to the previous performance of the company.	.448
(51) Consideration of law and regulations Related to the financial statements.	.435
(44) Sources of internal finance.	.432
(9) Company's plans such as borrowing and debt restructuring.	.419
(25) Revenues to expenses to show the rate of profitability and know the ability of the company to distribute the profit.	.415
(28) Leadership and change of managers.	.407
(10) Inability of the company to pay creditors in due date.	.403
(17) The comparison between the expected results of suppositive budget with the actual results.	.401
(4) Uncollectible accounts or bad debts.	
(23) Distribution of stocks to shareholders instead of cash profit	
(3) The value of the company's assets to the liabilities.	
(36) Low quality of the product.	
(37) Decrease of equipments related to the product.	
(38) Decrease of fundamental materials related to the product.	
(7) Difficulties of getting new creditors.	
(12) Increase of debts and decrease of liquidity.	
(2) The ability of company to pay its liabilities in due date	
(8) High interest rates to finance long-term projects by banks.	
(15) The comparison between the current analysis of the financial ratio with those of previous years.	
(34) Increase of pricing.	

- | | |
|--|--|
| <p>(11) Inability to obtain necessary finance to develop new products or for other necessary investments.</p> <p>(6) Withdrawal of financial support by debtors</p> <p>(33) Difficulties in marketing the product.</p> <p>(46) The balance between the internal and external sources of finance.</p> <p>(1) The working capital to know the liquidities volume.</p> <p>(35) High competition between companies.</p> <p>(13) The use of the financial ratio to judge the financial statements.</p> <p>(22) Operation losses.</p> <p>(14) The use of vertical and horizontal analysis for the financial statements.</p> <p>(43) Investment of loans and bonds</p> <p>(42) Capital investments.</p> <p>(40) Relationship between workers and management.</p> <p>(47) Late legal actions against the company.</p> <p>(39) Decrease in worker efficiency</p> <p>(54) Changes in external government policy toward companies such as attracting competitive foreign investments or prohibit import or export to any country the company count on in manufacturing or marketing its products.</p> <p>(21) Losses of downtime.</p> | |
|--|--|

Extraction Method: Principal Component Analysis. a. 1 component extracted

Component Matrix^a

a. 1 components extracted.

Rotated Component Matrix^a

a. Only one component was extracted.
The solution cannot be rotated.

APPENDIX: C

RELIABILITY RESULTS

DEPENDENT VARIABLE / THE AUDITOR EVALUATION OF THE COMPANY GOING CONCERN

Case Processing Summary

		N	%
Cases	Valid	209	100.0
	Excluded ^a	0	.0
	Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.888	27

Item Statistics

	Mean	Std. Deviation	N
AECGCa50	3.71	.984	209
AECGCa48	3.53	1.105	209
AECGCa52	3.30	1.056	209
AECGCa32	3.73	1.094	209
AECGCa31	3.31	1.178	209
AECGCa41	3.54	1.069	209
AECGCa27	3.44	1.055	209
AECGCa29	3.42	1.133	209
AECGCa43	3.43	.880	209
AECGCa45	3.52	.910	209
AECGCa26	3.29	1.003	209
AECGCa49	3.61	1.041	209
AECGCa24	3.53	.971	209
AECGCa55	3.49	1.066	209
AECGCa30	3.38	1.022	209
AECGCa20	3.43	.954	209
AECGCa16	3.63	.977	209
AECGCa5	3.52	.926	209
AECGCa19	3.62	.939	209
AECGCa18	3.51	.815	209
AECGCa51	3.59	.900	209
AECGCa44	3.55	.903	209
AECGCa9	3.62	.869	209
AECGCa25	3.49	.946	209
AECGCa28	3.56	1.004	209
AECGCa10	3.95	.900	209
AECGCa17	3.46	.976	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
AECGCa50	91.44	169.661	.518	.883
AECGCa48	91.62	167.438	.533	.883
AECGCa52	91.85	167.746	.550	.882
AECGCa32	91.42	167.946	.521	.883
AECGCa31	91.84	166.201	.537	.882
AECGCa41	91.61	169.288	.484	.884
AECGCa27	91.71	169.563	.481	.884
AECGCa29	91.73	166.582	.549	.882
AECGCa43	91.72	171.511	.504	.884
AECGCa45	91.63	171.716	.477	.884
AECGCa26	91.86	170.374	.478	.884
AECGCa49	91.54	171.308	.422	.885
AECGCa24	91.62	171.304	.459	.884
AECGCa55	91.66	170.485	.441	.885
AECGCa30	91.77	170.584	.460	.884
AECGCa20	91.72	172.290	.428	.885
AECGCa16	91.52	172.597	.403	.886
AECGCa5	91.63	173.416	.395	.886
AECGCa19	91.53	173.404	.389	.886
AECGCa18	91.64	175.550	.356	.887
AECGCa51	91.56	173.296	.413	.885
AECGCa44	91.60	174.001	.381	.886
AECGCa9	91.53	174.885	.360	.887
AECGCa25	91.66	173.129	.397	.886
AECGCa28	91.59	172.531	.393	.886
AECGCa10	91.20	174.152	.377	.886
AECGCa17	91.68	173.246	.378	.886

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
95.15	183.906	13.561	27

INDEPENDENT VARIABLES / AUDITING-RELATED FACTORS

AUDIT FEES

Case Processing Summary

		N	%
Cases	Valid	209	100.0
	Excluded ^a	0	.0
	Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.884	17

Item Statistics

	Mean	Std. Deviation	N
AFEESb1	2.90	1.152	209
AFEESb2	3.28	1.139	209
AFEESb3	2.71	1.054	209
AFEESb4	2.69	1.057	209
AFEESb5	2.94	1.275	209
AFEESb6	3.04	1.106	209
AFEESb7	2.99	1.160	209
AFEESb8	3.50	1.038	209
AFEESb9	3.10	1.179	209
AFEESb10	3.12	1.080	209
AFEESb11	2.92	1.172	209
AFEESb12	3.24	1.152	209
AFEESb13	3.34	1.049	209
AFEESb14	3.06	1.136	209
AFEESb15	3.24	1.105	209
AFEESb16	3.32	1.091	209
AFEESb17	3.19	1.037	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
AFEESb1	49.68	114.371	.442	.881
AFEESb2	49.31	114.148	.457	.880
AFEESb3	49.88	113.183	.548	.877
AFEESb4	49.89	115.306	.447	.880
AFEESb5	49.65	111.555	.497	.879
AFEESb6	49.55	111.326	.601	.875
AFEESb7	49.60	111.520	.560	.876
AFEESb8	49.09	116.531	.400	.882
AFEESb9	49.49	111.309	.558	.876
AFEESb10	49.46	112.885	.546	.877
AFEESb11	49.67	110.155	.612	.874
AFEESb12	49.35	113.892	.462	.880
AFEESb13	49.25	114.745	.478	.879
AFEESb14	49.53	110.462	.621	.874
AFEESb15	49.35	111.171	.609	.874
AFEESb16	49.27	113.149	.527	.877
AFEESb17	49.40	114.251	.508	.878

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
52.59	126.580	11.251	17

HIRING AND DISMISSING THE AUDITOR

Case Processing Summary

		N	%
Cases	Valid	209	100.0
	Excluded ^a	0	.0
	Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.696	7

Item Statistics

	Mean	Std. Deviation	N
HIRDISMb58	3.78	.884	209
HIRDISMb54	3.64	.996	209
HIRDISMb51	3.70	.929	209
HIRDISMb56	3.09	1.034	209
HIRDISMb57	3.72	.957	209
HIRDISMb49	3.42	.953	209
HIRDISMb46	3.56	.831	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
HIRDISMb58	21.12	12.452	.349	.676
HIRDISMb54	21.26	11.635	.410	.661
HIRDISMb51	21.19	11.982	.399	.664
HIRDISMb56	21.81	11.559	.396	.665
HIRDISMb57	21.18	11.666	.433	.654
HIRDISMb49	21.47	11.539	.458	.648
HIRDISMb46	21.34	12.447	.388	.667

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
24.89	15.412	3.926	7

CONSULTANT SERVICES

Case Processing Summary

		N	%
Cases	Valid	209	100.0
	Excluded ^a	0	.0
	Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.720	5

Item Statistics

	Mean	Std. Deviation	N
CONSSERb41	3.00	1.010	209
CONSSERb42	3.13	1.082	209
CONSSERb40	3.06	1.097	209
CONSSERb38	3.18	.938	209
CONSSERb39	2.84	1.110	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CONSSERb41	12.21	9.302	.431	.690
CONSSERb42	12.08	8.431	.537	.648
CONSSERb40	12.15	8.194	.570	.633
CONSSERb38	12.03	9.913	.369	.711
CONSSERb39	12.37	8.591	.484	.670

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
15.21	12.975	3.602	5

SOCIAL RELATIONS

Case Processing Summary

		N	%
Cases	Valid	209	100.0
	Excluded ^a	0	.0
	Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.715	6

Item Statistics

	Mean	Std. Deviation	N
SOCIALRb22	3.21	1.089	209
SOCIALRb26	3.25	1.143	209
SOCIALRb25	3.06	1.179	209
SOCIALRb20	3.16	.957	209
SOCIALRb21	3.23	.988	209
SOCIALRb23	3.01	1.063	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SOCIALRb22	15.72	11.934	.524	.651
SOCIALRb26	15.67	11.788	.506	.656
SOCIALRb25	15.87	11.988	.452	.675
SOCIALRb20	15.77	12.921	.470	.671
SOCIALRb21	15.70	13.423	.369	.698
SOCIALRb23	15.91	13.118	.366	.700

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
18.93	17.067	4.131	6

FIRM SIZE

Case Processing Summary

	N	%
Cases Valid	209	100.0
Excluded ^a	0	.0
Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.754	6

Item Statistics

	Mean	Std. Deviation	N
SIZEAOB69	3.38	1.059	209
SIZEAOB67	3.40	1.157	209
SIZEAOB71	3.56	1.082	209
SIZEAOB68	3.77	.984	209
SIZEAOB66	3.31	1.020	209
SIZEAOB72	3.35	1.065	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SIZEAOB69	17.39	13.566	.451	.729
SIZEAOB67	17.37	12.091	.594	.688
SIZEAOB71	17.21	13.427	.455	.728
SIZEAOB68	17.01	13.510	.515	.713
SIZEAOB66	17.47	13.404	.503	.715
SIZEAOB72	17.42	13.591	.443	.731

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
20.78	18.204	4.267	6

LEGAL DISPUTS

Case Processing Summary

	N	%
Cases Valid	209	100.0
Excluded ^a	0	.0
Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.484	3

Item Statistics

	Mean	Std. Deviation	N
LEGALDIb74	3.71	.710	209
LEGALDIb73	3.80	.892	209
LEGALDI b84	3.97	.805	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
LEGALDIb74	7.77	1.661	.389	.262
LEGALDIb73	7.68	1.334	.362	.274
LEGALDI b84	7.51	1.828	.184	.578

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
11.48	2.876	1.696	3

COMPETITION

Case Processing Summary

	N	%
Cases Valid	209	100.0
Excluded ^a	0	.0
Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.456	4

Item Statistics

	Mean	Std. Deviation	N
COMPETI b92	3.38	.801	209
COMPETI b97	3.44	.984	209
COMPETI b94	3.55	.980	209
COMPETI b88	3.67	.760	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
COMPETI b92	10.66	3.341	.273	.374
COMPETI b97	10.60	2.856	.288	.355
COMPETI b94	10.49	3.174	.185	.466
COMPETI b88	10.37	3.341	.311	.346

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
14.04	4.782	2.187	4

ADMINISTRATION FRAUD

Case Processing Summary

		N	%
Cases	Valid	209	100.0
	Excluded ^a	0	.0
	Total	209	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.557	3

Item Statistics

	Mean	Std. Deviation	N
ADFRAUDb30	4.07	.863	209
ADFRAUDb34	3.41	1.020	209
ADFRAUDb35	3.67	1.014	209

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
ADFRAUDb30	7.09	2.810	.318	.527
ADFRAUDb34	7.74	2.221	.399	.403
ADFRAUDb35	7.48	2.260	.390	.419

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
11.15	4.476	2.116	3

APPENDIX: D

REGRESSION ANALYSIS RESULTS

Descriptive Statistics

	Mean	Std. Deviation	N
AECGC	3.5670	.40742	209
QUALIFI	1.99	.196	209
SMAJOR	1.03	.217	209
EAUDIT	5.60	7.306	209
EACCOUN	3.37	5.389	209
Hiring	3.5564	.56083	209
Services	3.0421	.72041	209
Size	3.4976	.74347	209
Fees	3.0928	.68510	209
Social	3.1547	.68854	209

Correlations

		AECGC	QUALIFI	SMAJOR	EAUDIT	EACCOUN	Hiring	Services	Size	Fees	Soci
Pearson Correlation	AECGC	1.000	-.065	.015	.096	-.007	.265	.302	.386	.628	.3
	QUALIFI	-.065	1.000	.006	-.077	-.033	.080	-.086	.000	-.127	-.0
	SMAJOR	.015	.006	1.000	.113	-.058	-.019	-.106	.040	-.126	-.0
	EAUDIT	.096	-.077	.113	1.000	.273	-.020	-.150	.014	.010	-.2
	EACCOU N	-.007	-.033	-.058	.273	1.000	-.068	-.251	-.089	-.058	-.2
	Hiring	.265	.080	-.019	-.020	-.068	1.000	.210	.126	.154	.1
	Services	.302	-.086	-.106	-.150	-.251	.210	1.000	.334	.444	.6
	Size	.386	.000	.040	.014	-.089	.126	.334	1.000	.229	.2
	Fees	.628	-.127	-.126	.010	-.058	.154	.444	.229	1.000	.4
	Social	.369	-.042	-.051	-.223	-.268	.145	.647	.234	.400	1.0
Sig. (1- tailed)	AECGC	.	.174	.416	.084	.462	.000	.000	.000	.000	.0
	QUALIFI	.174	.	.463	.135	.317	.125	.109	.499	.033	.2
	SMAJOR	.416	.463	.	.051	.200	.393	.063	.282	.035	.2
	EAUDIT	.084	.135	.051	.	.000	.387	.015	.422	.446	.0
	EACCOU N	.462	.317	.200	.000	.	.164	.000	.100	.203	.0
	Hiring	.000	.125	.393	.387	.164	.	.001	.035	.013	.0
	Services	.000	.109	.063	.015	.000	.001	.	.000	.000	.0
	Size	.000	.499	.282	.422	.100	.035	.000	.	.000	.0
	Fees	.000	.033	.035	.446	.203	.013	.000	.000	.	.0
	Social	.000	.271	.231	.001	.000	.018	.000	.000	.000	
N	AECGC	209	209	209	209	209	209	209	209	209	2
	QUALIFI	209	209	209	209	209	209	209	209	209	2

SMAJOR	209	209	209	209	209	209	209	209	209	209	2
EAUDIT	209	209	209	209	209	209	209	209	209	209	2
EACCOU N	209	209	209	209	209	209	209	209	209	209	2
Hiring	209	209	209	209	209	209	209	209	209	209	2
Services	209	209	209	209	209	209	209	209	209	209	2
Size	209	209	209	209	209	209	209	209	209	209	2
Fees	209	209	209	209	209	209	209	209	209	209	2
Social	209	209	209	209	209	209	209	209	209	209	2

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	Social, QUALIFI, SMAJOR, Hiring, Size, EAUDIT, EACCOU N, Fees, ^a Services	.	Enter

a. All requested variables entered.

b. Dependent Variable: AECGC

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719 ^a	.518	.496	.28933

a. Predictors: (Constant), Social, QUALIFI, SMAJOR, Hiring, Size, EAUDIT, EACCOUN, Fees, Services

b. Dependent Variable: AECGC

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.867	9	1.985	23.715	.000 ^a
	Residual	16.659	199	.084		
	Total	34.526	208			

a. Predictors: (Constant), Social, QUALIFI, SMAJOR, Hiring, Size, EAUDIT, EACCOUN, Fees, Services

b. Dependent Variable: AECGC

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.422	.291		4.877	.000		
	QUALIFI	-.011	.104	-.005	-.106	.915	.962	1.040
	SMAJOR	.118	.095	.063	1.242	.216	.949	1.054
	EAUDIT	.005	.003	.092	1.742	.083	.868	1.152
	EACCOU N	.004	.004	.053	.991	.323	.856	1.169
	Hiring	.116	.037	.160	3.147	.002	.937	1.067
	Services	-.089	.040	-.157	-2.241	.026	.494	2.022
	Size	.135	.029	.246	4.642	.000	.866	1.154
	Fees	.322	.034	.542	9.472	.000	.742	1.349
	Social	.125	.040	.211	3.142	.002	.538	1.859

a. Dependent Variable: AECGC

Collinearity Diagnostics(a)

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions									
				(Constant)	QUALIFI	SMAJOR	EAUDIT	EACCOUN	Hiring	Services	Size	Fees	Social
1	1	8.491	1.000	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
	2	.832	3.194	.00	.00	.00	.20	.44	.00	.00	.00	.00	.00
	3	.482	4.198	.00	.00	.00	.72	.46	.00	.00	.00	.00	.00
	4	.067	11.288	.00	.01	.27	.03	.02	.01	.08	.00	.07	.04
	5	.034	15.763	.00	.00	.06	.00	.00	.00	.00	.90	.05	.05
	6	.031	16.638	.00	.02	.28	.00	.05	.18	.11	.01	.16	.12
	7	.028	17.511	.00	.02	.17	.03	.00	.13	.06	.03	.67	.04
	8	.018	21.866	.01	.08	.12	.01	.01	.23	.41	.01	.00	.42
	9	.015	24.127	.02	.17	.02	.00	.01	.41	.33	.04	.00	.33
	10	.003	49.394	.96	.71	.09	.00	.02	.04	.01	.01	.05	.01

a Dependent Variable: AECGC

Residuals Statistics (a)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.7443	4.3526	3.5670	.29309	209
Std. Predicted Value	-2.807	2.680	.000	1.000	209
Standard Error of Predicted Value	.025	.185	.057	.027	209
Adjusted Predicted Value	2.7575	4.3367	3.5672	.29288	209
Residual	-.80469	.82161	.00000	.28300	209
Std. Residual	-2.781	2.840	.000	.978	209

a Dependent Variable: AECGC