Antecedents of Non-Normal Financial Reporting

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Abstract

This study used the adapted theory of reasoned action model to investigate whether individual and social factors can determine behavioural intention of non-normal financial reporting. Survey instruments were distributed to the managers and employees who were involved in the accounting discipline. The results show that the attitude toward behaviour is a superior determinant. However, when moral obligation was added, it not only improves the variance explained but is found superior to the attitude toward behaviour. The study concludes that the model can explain between 23% and 63% variation in behavioural intention. These findings are particularly relevant to the management of companies, regulatory bodies, and minority watchdog shareholder group who seek to understand the reasons for the occurrence of non-normal financial reporting and to find ways to reduce it.

Key Words: non-normal financial reporting, theory of reasoned action, moral obligation, management, structural equation modelling

1. Introduction

It is crucial to curb non-normal financial reporting as it is one of the most costly types of fraud and may cause business failures. Many studies that were carried out relates to determining factors that may cause fraud. However, only a handful of studies examined fraud from the behavioural aspect (Carpenter & Reimers, 2005; Uddin, 2000; Weidman, Curatola, & Linnehan, 2004). It is imperative to understand behavioural factors because fraud involves human behaviour. Therefore, using the adapted theory of reasoned action, the main aim of this study is to determine whether individual as well as social factors can determine behavioural intention of non-normal financial reporting among managers and executives. The specific objectives of the study are:

1. to identify the behavioural beliefs that significantly influence the attitude toward behaviour of non-normal financial reporting and the normative belief that influence the subjective norm;
2. to investigate whether the attitude toward behaviour, subjective norm and moral obligation significantly influence behavioural intention of non-normal financial reporting; and
3. to identify the most significant predictor of behavioural intention of non-normal financial reporting.

This study is beneficial to management, regulators, and minority watchdog shareholder group (MWSG) since it provides useful insights on behavioural factors that motivate behavioural intention and hence, can guide them to develop strategies to curtail its occurrence. This study is also important because it contributes to the literature on fraudulent financial reporting especially from the Malaysian context. Most literature on fraud is United States based (Firth, Mo, & Wong, 2005). The present study defines non-normal financial reporting similar to fraudulent financial reporting i.e. intentional act by one or more individuals among management, employees, or third parties, which results in a misrepresentation of financial statements. This definition is based on AI 240, the International Standards on Auditing (ISA) on "Fraud and Error" which defines fraud in terms of fraudulent financial reporting. The next section discusses the theory of reasoned action and the conceptual framework of the study.

This is followed by a section that explains how research hypotheses were developed. The subsequent sections describe the research method, the findings and provide discussion of the results of this study. Finally, this paper provides conclusion, the limitations of the study and suggests areas for future research.

2. The Theory of Reasoned Action and Conceptual Framework

The theory of reasoned action (Ajzen & Fishbein, 1980) states that accessible behavioural beliefs influence attitude toward behaviour and accessible normative beliefs influence subjective norm (Ajzen, 2002). In turn, the attitude and subjective norm can determine individual's behavioural intention, which then can explain the actual overt behaviour. Hence, at the foundation level, accessible beliefs ultimately determine individual's overt behaviour (Ajzen, 1988). Research across behaviours generally found strong support for the theory of reasoned action (Sheppard, Hartwick, & Warshaw, 1988). Behavioural beliefs are beliefs about the outcome that resulted from performing a particular behaviour, while normative beliefs are beliefs about the approval or disapproval of specific or important referents. Attitude toward behaviour is one of the behavioural dispositions (Ajzen, 1991) and represents the overall evaluation of performing a behaviour (Ajzen, 2002). It cannot be observed directly but can be inferred through its manifestation in a wide variety of observable cues. Subjective norm is individual's perception of social influence to perform or not to perform a particular behaviour (Ajzen, 1988; Beck & Ajzen, 1991) i.e. perception about whether the performance of a behaviour is approve or disapprove by people close to individual (Ajzen & Madden, 1986). Lastly, behavioural intention is defined as an individual's subjective probability that he will perform a given behaviour (Fishbein & Ajzen, 1975).

The focal point of the theory is the individual's behavioural intention to perform a given behaviour (Ajzen, 1991; Beck & Ajzen, 1991). There is a strong theoretically argument that behavioural intention is an immediate antecedent of behaviour (Ajzen & Madden, 1986). In principal, the theory of reasoned action is open for inclusion to additional predictor variables (Ajzen & Fishbein, 1980). Based on the above, the present study focuses on behavioural factors that might have influence on behavioural intention; not on actual performance of the behaviour and has added moral obligation to the model. The inclusion of moral obligation is essential to explain socially unacceptable behaviours (Beck & Ajzen, 1991) and where moral consideration is required (Conner & Armitage, 1998). Moral obligation is defined as "the duty or obligation that is sanctioned by one's conscience as right." (Uddin, 2000). It is personal obligation or responsibility to perform or refuse to perform a given behaviour (Beck & Ajzen, 1991). The conceptual framework of the present study is shown in Figure 1. Both the theory of reasoned action and the theory of planned behaviour, which is an extension of the former, are robust and successfully applied in many diverse disciplines such as in personality (Beck & Ajzen, 1991), academic dishonesty (Passow, Mayhew, Finelli, Harding, & Carpenter, 2006), and in tax compliance (Bobek & Hatfield, 2003).

3. Hypotheses Development

Most studies not only found that the attitude toward behaviour is a significant predictor of the behaviour of interest but is also the most significant predictor of behavioural intention (Ajzen, 1991; Buchan, 2005; Carpenter & Reimers, 2005; Chang, 1998; Conner & Armitage, 1998; Sheppard et al., 1988; Uddin, 2000; Weidman et al., 2004) Based on this, the hypotheses to test these are:

H1a: Attitude toward behaviour is a significant predictor of behavioural intention.

H1b: Attitude toward behaviour is the most significant predictor of behavioural intention.

Studies found that the contribution of the subjective norm in the prediction of behavioural intention is mixed (Ajzen, 1991): a good predictor (Heath & Gifford, 2002; Sheppard et al., 1988); has poor predictive power to the attitude toward behaviour (Ajzen, 1991; Ajzen & Fishbein, 1972; Armitage & Conner, 2001; Buchan, 2005; Carpenter & Reimers, 2005; Chang, 1998; Conner & Armitage, 1998; Sheeran & Orbell, 1999; Uddin, 2000; Weidman et al., 2004); and not significant (Buchan, 2005; Chang, 1998; Uddin, 2000). One reason for its poor predictive power relates to definition (Cialdini, Reno, & Kallgren, 1990) and measurement problems (Ajzen, 1991). Originally, subjective norm was based on injunctive subjective norm (Sheeran & Orbell, 1999) i.e. individual's perception of what important referent expect him or her ought to do. However, it is argued that it should also include descriptive norm (Ajzen, 2002; Cialdini et al., 1990; Sheeran & Orbell, 1999) i.e. individual's perception of what important referent would normally do (Sheeran & Orbell, 1999). Hence, the present study defined subjective norm in terms of descriptive norm. Malaysians are more inclined to be in group than being on their own; concern more for others; and they are very much influence by important referents such as parents, relatives and friend (Asma, 1996; Asma & Pedersen, 2003).

Thus, it can be argued that they normally sought the opinions of those important to them before arriving at decisions. Therefore, the hypothesis to test this is:

H2: Subjective norm significantly influences the behavioural intention.

Ajzen and Madden (1986) found there were significant but moderate correlations between behavioural beliefs and attitude toward behaviour and between normative beliefs and subjective norm. Uddin (2000) found that the negative behavioural belief evaluation is positively significant but not the positive behavioural belief evaluation in determining the attitude toward behaviour of fraudulent financial reporting. The negative beliefs are pre-billing the next quarter's shipment will increase the risk of a qualified audit report and pre-billing the next quarter's shipment will result in lower revenues in the next quarters, while positive beliefs are pre-billing the next quarter's shipment will avoid debt renegotiations and pre-billing the next quarter's shipment will increase this period's net income. She also found that specific referents have significant influence on subjective norm at 10 percent level of confidence. Weidman et al. (2004) found that the underlying behavioural beliefs that have the strongest relation to the attitude pertain to the desire to fulfil the obligation to fully inform financial statement users, to show a conservative approach to financial reporting and to have one's company viewed as acting responsibly in managing environmental issues. Accessible beliefs were also investigated in the present study as shown in Figure 1, to understand deeper, to explain better why individuals hold certain attitude toward non-normal financial reporting and to obtain insights "about unique factors that induce one person to engage in the behaviour of interest" (Ajzen, 1991).

However, since accessible beliefs have to be elicited from the target respondents, it is not possible to set in priori the hypotheses with respect to this. As mentioned previously, moral obligation is added to the conceptual framework of the present study as shown in Figure 1. Studies found mixed results with moral obligation as predictor of behavioural intention. Passow et al., (2006) found that moral obligation explained additional 16% and 9% of variance in decision not to cheat in exam and on homework respectively. In Beck and Ajzen (1991), moral obligation adds moderately between 3% to 6% variance in behavioural intention for cheating, shoplifting and lying, over and above the main constructs. On the contrary, Buchan (2005) found moral norm measured by moral sensitivity has no significant relationship with ethical intention, while in other studies, moral obligation was a weak predictor of intention (Jaccard & Davidson, 1975). In financial reporting, Weidman et al. (2004) found mixed results with perceived moral obligation. It is significant in relation to the likelihood to accrue, but not in relation to disclose the environmental liabilities. Based on the foregoing argument, therefore the hypothesis to test this is:

H3: Moral obligation significantly influences behavioural intention.

4. Research Method

The present study used survey instruments which consist of hypothetical scenarios and items that were intended to capture the variables of interest. The hypothetical scenarios and some of the items were adapted from Uddin (2000). The hypothetical scenarios relate to revenue and account receivables manipulations because most financial reporting fraud involves revenue and account receivables and further they are easy to manipulate (ACFE, 2004; Bonner, Palmrose, & Young, 1998; Feroz, Park, & Pastenatt, 1991; Firth et al., 2005, Albrecht, 2003). Manipulation of revenues is also common among Malaysia corporations For e.g. Transmile was involved in reporting fake invoices and overstatement of revenue; Nasioncom Holdings Berhad (Bhd.) with respect to revenue on sales that were not transacted; Welli Multi Corporation Bhd. (WMCB) with regard to revenue figures; and Polymate Holdings Bhd. (PHB) relates to inflated revenue and trade receivables (www.sc.com.my).

Items that are used to measure the attitude toward behaviour, subjective norm and behavioural intention are taken from Uddin (2000), while for the moral obligation, two items are taken from Beck and Ajzen (1991) and another item is taken from Heath and Gifford (2002). Some of the items that are used to measure belief items are elicited from a sample of target respondents. These items are included in the pilot and final questionnaire as mentioned below. The questionnaires were first distributed for pilot testing to a sample of target population. After making the amendments, the final questionnaires were distributed to the respondents who were managers and employees of certain organisations reading for their masters degree in accounting discipline and in business administration with accounting concentration either on a part-time or full-time basis at the public universities in Malaysia. The respondents also include those who were not in employment but had previous work experience. This is because the objective of the study is to obtain their responses based on given scenarios and their work experience. Previous studies on dishonest behaviour had also used students respondents (Sims, 1993; Nonis & Swift, 2001; Kaplan, 2001; Carpenter & Reimers, 2005).

The data was analyse using the structural equation modelling; a powerful multivariate analysis where measurement errors are explicitly modelled (Hair, Black, Babin, Anderson, & Tatham, 2006). Therefore, the estimates produced by the structural equation modelling are more accurate. In determining the model fit, the study used the following fit indices: absolute fit indices which include chi-square t statistic value ($p > 0.05$), relative chi-square value to its degree of freedom (cmin/df) and root mean square error of approximation (RMSEA) (Hair et al., 2006). The cmin/df is less sensitive to sample size and the index indicates good fit if it is below two. RMSEA, which takes into account model complexity and sample size in its computation is also not sensitive to sample size (Fan, Thompson, & Wang, 1999). According to Hair et al. (2006), RMSEA below 0.10 are acceptable for most models. The other fit indices used to assess are comparative fit index (CFI) and Tucker-Lewis index (TLI) as recommended by Hoyle and Panter (1995). It was found that CFI has no systematic bias when sample size was small (Bentler, 1990, as cited in Hu & Bentler, 1995), avoids the underestimation of fit in a small sample (Bentler, 1990, as cited in Chang, 1998) and not sensitive to model complexity (Hair et al., 2006). CFI value more than 0.9 indicates acceptable model fit to the data (Byrne, 1995; Bentler, 1992, as cited in Chang, 1998; Hair et al., 2006) while TLI value which is close enough to one indicate good fit (Hair et al., 2006). However, Bollen (1989) noted that "these cut-offs are arbitrary". The incremental fit index (IFI) can also be used to assess the model fit, where a value greater than the 0.9 threshold indicate acceptable fit (Hair et al., 2006).

5. Findings

One hundred and thirty six responses out of 231 sets of questionnaires that were distributed (58.9%) were usable for analysis purposes. This meets the minimum sample size that should range from 100 to 150 (Hair et al., 2006) and range between 100 and 200 (Hoyle & Kenny, 1999) when using the structural equation modelling. The average age of the respondents was 31 years, 44% of the respondents were males, 86% were Malays, 26% were managers and 63.2% were executives and 62% have 5 years or less working experience. With regard to the constructs, all are normally distributed as revealed by the skewness which range from (-0.572 to 0.818) and kurtosis which range from (-0.961 to 0.233). Table 1 shows that the Cronbach's Alpha coefficients of reliability are all greater than 0.8 indicating internal consistency and the correlations between all constructs are positive and significant.The exploratory factor analyses using principal component analysis extraction method and varimax rotational method, fixed at eight factors were carried out for each scenario. The result is as expected, which cumulatively explained 83.9%, 86.4% and 87.6% variance for scenarios one, two and three respectively. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) are also greater than 0.8 i.e. 0.832, 0.861 and 0.867 for scenario one, two and three respectively.

This suggests that each construct is valid. At the first instance, the confirmatory factor analyses indicate that the measurement models do not fit the data adequately when used Chi-Square as the criteria for scenario one (Chi-Square = 238.611, df = 183, p-value = 0.004), scenario two (Chi-Square = 316.336, df = 183, p-value = 0.000) and scenario three (Chi-Square = 297.059, df = 183, p-value = 0.000). The Chi-Square fit index is sensitive to sample size and to the number of parameter estimates, hence, other fit indices: cmin/df, RMSEA, CFI, TLI and IFI were used. These indices indicate that the measurement models fit the data adequately for all the three scenarios (scenario one: cmin/df = 1.304; RMSEA = 0.047; CFI = 0.974; TLI = 0.967; IFI = 0.974; scenario two: cmin/df = 1.729; RMSEA = 0.073; CFI = 0.945; TLI = 0.931; IFI = 0.931; scenario three: cmin/df = 1.623; RMSEA = 0.068; CFI = 0.957; TLI = 0.945; IFI = 0.957). Further, the results show that the constructs' composite reliabilities are all greater than 0.8, and the average variances extracted are greater than 0.6 greater than the inter-constructs squared correlation estimates (Hair et al., 2006). This indicates that the constructs are highly reliable; measure the concepts that they are supposed to measure and they are discriminantly valid.

The two steps structural equation modelling analyses were carried out for each scenario. The first step is to test the hypotheses of relationships between exogenous (B-P, BR-nD, BR-nEnf) and endogenous/exogenous (ATT), exogenous (nSN) and endogenous/exogenous (SN) and endogenous/exogenous (ATT & SN) and endogenous (BI) constructs. The second step repeats the first step but included the moral obligation. This is to test whether moral obligation enhances the prediction of behavioural intention. The results for the first step show that structural model fit indices meet the cut-offs (scenario one: cmin/df = 1.557;RMSEA = 0.064; CFI = 0.956; TLI = 0.948; IFI = 0.956; scenario two: cmin/df = 1.853; RMSEA = 0.079; CFI = 0.939; TLI = 0.928; IFI = 0.939; scenario three: cmin/df = 1.955; RMSEA = 0.084; CFI = 0.938; TLI = 0.927; IFI = 0.939) and these indicate that the hypothesised structural models fit the data adequately. When moral obligation was added to the model in step two, using the fit indices mentioned above, the results also indicate that the structural models fit the data adequately across the three scenarios (scenario one: Chi-Square = 351.714; df = 201; p-value = 0.000;

cmin/df = 1.750; RMSEA = 0.075; CFI = 0.929; TLI = 0.919; IFI = 0.930; scenario two: Chi-Square = 430.379; df = 200; p-value = 0.000; cmin/df = 2.152; RMSEA = 0.092; CFI = 0.905; TLI = 0.890; IFI = 0.906; scenario three: Chi-Square = 423.846; df = 200; p-value = 0.000; cmin/df = 2.119; RMSEA = 0.091; CFI = 0.915; TLI = 0.902; IFI = 0.916). Table 2 shows the standardised regression weights for all the three scenarios for step one and two. The Table shows that the attitude toward behaviour for all the scenarios is a significant predictor (scenario one: t= 3.714, p<0.01; scenario two: t= 9.500, p< 0.01; scenario three: t= 7.451, p<0.01). Thus, the hypothesis (H1a) that the attitude toward behaviour is a significant predictor is fully supported. This indicates that individual's attitude is important and is able to determine individual's behavioural intention whether to engage or not in non-normal financial reporting. This finding is consistent with (Ajzen, 1991; Buchan, 2005; Carpenter & Reimers, 2005; Chang, 1998; Conner & Armitage, 1998; Sheppard et al., 1988; Uddin, 2000; Weidman et al., 2004). The results also revealed that the attitude is the most significant in only two out of three scenarios.

Therefore, the hypothesis (H1b) that the attitude toward behaviour is the most significant predictor of behavioural intention is partially supported. The results also fully support the hypothesis (H2) that the subjective norm significantly influences the behavioural intention (scenario one: t= 4.025, p<0.01; scenario two: t= 4.160, p< 0.01; scenario three: t= 3.740, p<0.01). This means that social influence is an important determinant. It can predict individual's behavioural intention of non-normal financial reporting. This finding is consistent with Heath and Gifford (2002), Sheppard et al. (1988), Carpenter and Reimers (2005) and Weidman et al.(2004). However, it contradicts in particular with Uddin (2000), Chang (1998) and Buchan (2005) who found subjective norm not a significant predictor. The study also finds that belief in pressure as shown in Table 2 significantly influence the attitude across scenarios (scenario one: t= 3.675, p<0.01; scenario two: t= 1.912, p< 0.10; scenario three: t= 2.347, p<0.05). This finding indicates the higher the belief in pressure the higher the attitude toward behaviour of non-normal financial reporting. This finding confirms the theory on elements of fraud that pressure exists when non-normal financial reporting occurs. The results on belief in non-detection and belief in non-enforcement rationalisations as shown in Table 2 are not consistent across scenarios.

Belief in non-detection rationalisations show that it is significant in scenario one (t= 2.247, p<0.05) and scenario two (t= 1.830, p<0.10), whereas belief in non-enforcement rationalisation is significant in only scenario three (t= 3.995, p<0.01). This means, individuals rationalise for their doings, where, the greater the rationalisation the greater the attitude toward the behaviour.However, we argue that the type in rationalisations depends on the situations, the surrounding environment, and on the individuals' perception on regulatory body. To certain extent, the significance of some of these beliefs is consistent with Ajzen and Madden (1986). Thus, in general, behavioural beliefs have significant influence on the attitude toward behaviour. This finding is consistent with Uddin (2000) and Weidman et al., (2004), where in both studies certain behavioural beliefs are significantly related to the attitude toward behaviour. As far as the normative belief is concerned, the results in Table 2 show that it is significant across scenarios (scenario one: t= 5.120, p<0.01; scenario two: t= 4.847, p< 0.01; scenario three: t= 5.292, p<0.01).

This indicates that the social pressure that influences the individual to engage in non-normal financial reporting is being influenced by specific important referent. These findings support Ajzen and Madden (1986) and Uddin (2000). Table 2 also shows that moral obligation is a significant predictor of behavioural intention across scenario (scenario one: t= 5.638, p<0.01; scenario two: t= 5.789, p<0.01; scenario three: t= 6.486, p<0.01). Its addition significantly enhances the model prediction in two scenarios (scenario one: 17%, scenario three: 7%). Therefore, the hypothesis (H3) is fully supported. These findings support studies by Beck and Ajzen (1991) and Passow et al. (2006), but inconsistent with Weidman et al. (2004) and Buchan (2005). The results show that the moral obligation is the most significant predictor for scenarios one and three, while the attitude is the most significant predictor for only scenario two. The inclusion of moral obligation to the model has also resulted the attitude toward behaviour becoming not significant for scenario one. This implies that the personal norm play a more important role than the attitude toward behaviour in determining non-normal financial reporting.

6. Discussion of the Results

Beliefs in pressure: to stabilise the share price; to sustain the company's performance; to maintain the investors' confidence, are significant across scenarios. This demonstrates that these beliefs are important in determining individual's attitude and motivate behavioural intention. To reduce the incidence of non-normal financial reporting, there is a need to reverse these beliefs or to make individuals believe that these pressures are only good for the company for short-term period but not for long-term.

Sometimes, this may not be possible since the problems lie within the top management itself. Thus, it is suggested that the regulatory body and the minority watchdog group play their role in educating top management. With this respect, first it is important to target at belief in pressure to ensure the top management have proper and accurate beliefs about the issue. Beliefs in rationalisation in non-detection (BR_nD): not be detected by co-workers; not be detected by other managers, and beliefs in rationalisation in non-enforcement (BR_nEnf): not be heavily penalised; not be heavily punished are also significant although not across scenarios. This implies that the types of rationalisations that affect the attitude depends on the type of non-normal financial reporting. To reduce non-normal financial reporting, it is important to develop a strategy that can change the individual's perceptions or beliefs to non-normal financial reporting can be detected and that the deviant act will be enforced. This can be done by disclosing and revealing these companies and the actions that have been taken against them. If needed, it is suggested that the regulatory bodies get legal protection for revealing these facts. Another suggestion is by having a proper tone at the top and ethical environment i.e. essential that the managers act properly, observe the code of ethics, is ethical, honest, have good moral values and trustworthy.

Of equal importance, the managers need to display these good values. It is also suggested that there should be sufficient media coverage on companies that defaulted or alleged of misreporting financial statements. Otherwise, the individuals will believe engaging in non-normal financial reporting will not be detected and enforced. To change one's accessible beliefs that form one's attitude (Ajzen & Fishbein, 1980) must be done on regular basis because it is not easy to change one's belief in short time period especially when there is a financial crisis and when the problem has been prolonged. Also, beliefs can change when certain events occur or when new information becomes available. These beliefs may continue, diminish, and new beliefs may be developed over time (Ajzen, 1988). When there are changes to the beliefs about the behaviour, this will lead to subsequent changes in behaviour (Heath & Gifford, 2002). Hence, it is important to disseminate accurate and complete information and constantly from time to time so that it will stay long in one's cognition.

As far as normative beliefs are concerned, the results reveal that friends and family members influence an individual's to engage in non-normal financial reporting. To reduce its occurrence, it is important for the management to target at individual's close friends and family members by educating them about bad consequences of non-normal financial reporting. These also need to be done on a regular basis until these beliefs are embedded in individual's friends and family members' cognition. The question is how to educate those who are not within the organisations. One of the possible solutions is to offer in-house seminar about the issue opened also to outsiders. Finally, in general, the results also demonstrate that moral obligation is an important determinant of behavioural intention. This implies that to influence behavioural intention, individual's moral obligation should also be addressed. This can be done by constantly reminding the individuals to act morally.

7. Conclusion

Overall, the theory of reasoned action and its belief components can successfully explain individuals' behavioural intentions of non-normal financial reporting. The theory is able to explain a significant variation in behavioural intention ranging from 23% to 63%. The addition of moral obligation to the model enhances the behavioural intention prediction. Thus, the theory of reasoned action and its modified version can be used to predict behavioural intention of non-normal financial reporting. However, this study has some limitations. The study used students to represent managers and executives of the companies. Therefore, the findings cannot be generalised to the whole population of managers and executives. However, it is argued that this is justified because the majority of them are actually managers and executives of certain organisations. Although it cannot be generalised to the whole population but it is relevant to new entrants to the organisations. This is a self-reported study and is subjected to social desirability bias. However, this is overcome by giving assurance of anonymity to the respondent. Finally, the scenarios relate to fraudulently reporting revenues. Thus, the findings cannot be generalised to other types of non-normal financial reporting. In the light of these limitations, the findings of the study should be carefully interpreted.The inclusion of moral obligation has made the attitude becoming not significant. This may suggests that moral obligation may be a substitute to the attitude toward behaviour. However, this is only for one scenario. Thus, future research on non-normal financial reporting should consider this possibility. It is also suggested that for future research, other variables such as individual's religiousness be studied to determine whether it plays an important role in preventing non-normal financial reporting.

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Table 1 Inter-Constructs Correlations Estimates

Constructs	BI	ATT	BR-nEnF	B-P	BR-nD	SN	nSN	MO
BI	**0.949**							
	0.948							
	0.957							
ATT	***0.422	0.896*s						
	***0.794	0.909*s						
	***0.668	0.929*s						
BR-nEnF	***0.319	*0.173	0.978					
	***0.349	***0.295	0.933					
	***0.409	***0.473	0.963					
B-P	***0.418	***0.400	**0.204	0.843				
	***0.345	**0.230	***0.268	0.898				
	***0.320	***0.351	***0.358	0.901				
BR-nD	**0.228	***0.308	***0.366	***0.347	0.849			
	***0.361	***0.295	***0.541	**0.230	0.868			
	***0.353	***0.314	***0.516	***0.433	0.870			
SN	***0.432	***0.360	***0.389	***0.499	***0.457	0.858*s		
	***0.543	***0.464	***0.487	***0.290	***0.451	0.895*s		
	***0.522	***0.510	***0.485	***0.397	***0.525	0.909*s		
nSN	***0.372	***0.426	**0.205	***0.286	***0.438	***0.472	0.811	
	***0.504	***0.403	***0.327	***0.298	***0.412	***0.444	0.793	
	***0.444	***0.492	***0.383	***0.268	***0.455	***0.491	0.809	
MO	***0.652	***0.558	***0.322	**0.253	***0.325	***0.428	***0.558	0.829
	***0.700	***0.582	***0.395	**0.206	***0.352	***0.451	***0.531	0.901
	***0.717	***0.604	***0.389	**0.199	***0.274	***0.460	***0.544	0.894

Scenario One; Cronbach's alpha coefficient is on the diagonal; *s - Based on standardised items;
Scenario Two; Pearson Correlation: ***significant at 1% (2-tail test); ** significant at 5% (2-tail test);
Scenario Three; N=136

Table 2 Standardised Regression and Correlation Weights

Relationship			Step 1				Step 2- MO Added			
			Estimate	S.E.	C.R.	Std. Estimates	Estimate	S.E.	C.R.	Std. Estimates
ATT	**<--**	**B-P**	**.331**	**.090**	**3.675**	**0.348*** **	**.334**	**.091**	**3.682**	**0.349*** **
			.141	**.074**	**1.912**	**0.169***	**.144**	**.075**	**1.922**	**0.171***
			.180	**.077**	**2.347**	**.194****	**.189**	**.078**	**2.430**	**.201****
ATT	**<--**	**BR-nEnF**	**.032**	**.074**	**.426**	**0.039 ns**	**.037**	**.074**	**.496**	**0.045ns**
			.112	**.078**	**1.431**	**0.150ns**	**.116**	**.079**	**1.46**	**0.154ns**
			.338	**.084**	**3.995**	**.383*** **	**.350**	**.085**	**4.106**	**.394*** **
ATT	**<--**	**BR-nD**	**.221**	**.098**	**2.247**	**0.225****	**.204**	**.100**	**2.045**	**0.200****

			.189	.103	1.830	0.206*	.172	.105	1.641	0.185ns
			.084	.105	.803	.081ns	.053	.103	.515	.052ns
SN	<--	nSN	.584	.114	5.120	0.481***	.578	.118	4.917	0.462***
			.640	.132	4.847	0.450***	.634	.138	4.606	0.430***
			.690	.130	5.292	.493***	0.683	.136	5.018	.472***
BI	<--	SN	.479	.119	4.025	0.345***	.271	.108	2.507	0.199**
			.282	.068	4.160	0.264***	.187	.063	2.983	0.192***
			.315	.084	3.740	276***	.199	.078	2.560	.185**
BI	<--	ATT	.439	.118	3.714	0.315***	.147	.102	1.434	0.108ns
			.904	.095	9.500	0.731***	.693	.082	8.50	0.627***
			.645	.087	7.451	.565***	.399	.075	5.349	.378***
BI	<--	MO	-	-	-	-	.786	.139	5.638	0.544***
			-	-	-	-	.466	.081	5.789	0.407***
			-	-	-	-	.603	.093	6.486	.514***
BR-	<--	nSN	.375	.164	2.285	0.206**	ns			
			.611	.180	3.403	0.328***	.321	.146	2.205	0.179**
			.701	.181	3.879	.384***	.422	.146	2.880	.242***
BR-	<--	nSN	.674	.173	3.890	0.452***	.411	.129	3.197	0.292***
			.635	.167	3.811	0.420***	.412	.135	3.048	0.284***
			.725	.176	4.124	.465***	.553	.148	3.741	.364***
BR-	<--	BR-nEnF	.845	.234	3.612	0.375***	.756	.219	3.454	0.346***
			1.354	.270	5.020	0.543***	1.352	.270	5.002	0.543***
			1.272	.263	4.831	.516***	1.301	.266	4.899	.516***
MO	<--	nSN	-	-	-	-	.683	.162	4.219	0.505***
			-	-	-	-	.589	.143	4.12	0.452***
			-	-	-	-	.627	.148	4.233	.450***
Behavioural Intention					23%				40%	
					63%				63%	
					42%				49%	

Scenario One
Scenario Two
Scenario Three
***** Significant at 1%,**
**** Significant at 5%,**
*** Significant at 10%, (two-tail),**
ns- not significant

B-P- Belief in Pressure
BR-D- Belief in Non-Detection Rationalisation
BR-EnF- Belief in Non-Enforcement Rationalisation
ATT- Attitude toward Behaviour
nSN- Normative Subjective Norm
SN- Subjective Norm
BI- Behavioural Intention
MO – Moral Obligation

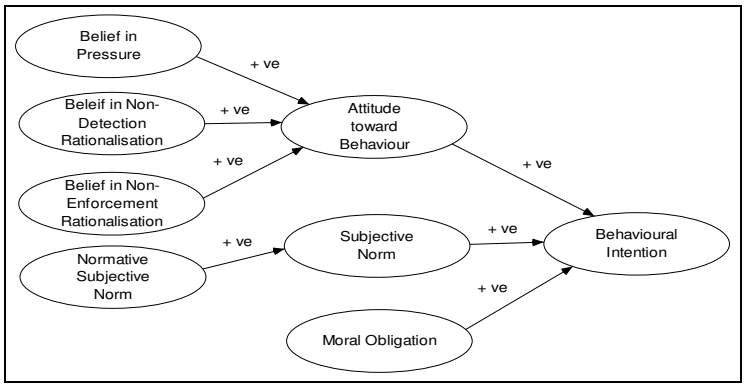

Figure 1 The Conceptual Framework