

DECISION OF ACCEPTANCE OR REJECTION OF ASSIGNMENT AUDITING: A TEST OF THE EFFECTS OF CLIENT'S BUSINESS RISK, RISK AUDIT, RISK BUSINESS AUDITOR AND ADAPTATION TO RISK

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ABSTRACT

This study developed and tested a model that describes how auditors evaluate the relevant risks and how auditors adapt to these risks when they decided to accept their clients. Client acceptance model developed by the auditor is intended for auditors to evaluate the risk associated with business clients, including the financial condition of the internal control structure of the client and the client's prospects and business continuity. This evaluation is then used to determine the risks that would be faced by the auditor if the auditor will accept the audit assignment for a client company or reject consideration of profitability or letigasi possibility in the future. Participants or respondents in this study are the Under Graduate final semester accounting students who enrolled in the Accounting Department of Soegijapranata Catholic University in Semarang. There were 345 students. The method of data analysis used in this study is SEM (Structural Equation Modeling), which will be used to estimate the relationship between the observed indicators and the latent variables.

The study gives the results that the client's business risk and audit risk considerations are associated with audit risk. While consideration of the client's business risk has nothing to do with the auditor's consideration of business risks, the consideration of audit risk is significantly and negatively associated with the decision of acceptance or rejection of the assignment of auditing the financial statements of the client. But, the client's business risk considerations are associated positively and significantly with the decision of acceptance or rejection of the assignment of auditing a client's financial statements. The study was also obtained from the results that the auditor's consideration of business risk cannot mediate the relationship between audit risk considerations with consideration of acceptance or rejection of the assignment of auditing financial statements. In addition, the auditor's consideration of business risk cannot mediate the association between the receipt of the client's business risk auditing the financial statements of the assignment and consideration of audit risk associated positively and significantly with adaptation strategies to proactive risk. In another word, client business risk considerations have nothing to do with adapting to risks proactively. Auditor's consideration of business risks is not associated with adaptation strategies to proactive risk. The adaptation strategies to proactive risk cannot mediate the association between the receipt of the client's business risk auditing and the financial statements of the assignment. Adaptation strategies to proactive risk may mediate the relationship between audit risk by the decision of acceptance or rejection of the assignment of auditing financial statements, as well as adaptation strategies to proactive risk may mediate the relationship between business risk auditors with auditing the financial statements of acceptance of assignment.

Keywords : business clients risk, risk audit, risk business auditor, adaptation to risk

In the development of auditing, where the need for auditing the financial statements is higher, auditors and public accounting firm need to consider the risks to be faced in the audit process of financial statements client. Risks faced including audit risk, auditor business risk, and also considering the business risk clients. This is necessary because the auditor has high demands in terms of the possibility of legal action. The auditors' opinions should be accompanied by sufficient evidence and current business competition also requires a qualified audit process. Based on the auditor's course, a thorough consideration in auditor's audit process will be developed. That includes planning and anticipation of audit risk, business risk and business risk audit clients. While inherent and control risks are associated with the condition of the client company, detection risk relates to the ability and experience of the auditor.

Auditor business risk is more related to how auditors manage their business to be able to continue to exist, able to capture the auditing assignment opportunities, improving the quality and accuracy auditors addressing business competition in the field of auditing. Client business risk is the risk faced by the clients pertaining covering finance companies and industry trends, behavior management, environment and internal control structure of the client company. (Johnstone, 2000) This risk must be recognized by the auditor before deciding to accept the audit assignment from the client company.

This research seeks to develop and test a model that describes how auditors evaluate the relevant risks and how auditors adapt to these risks when they decided to accept their clients. Client acceptance model is developed by the auditors. Intended auditors will evaluate the risks associated with business clients including the financial condition of the client's internal control structure and prospects as well as clients sustainability. This evaluation is then used to determine the risk that will be

faced by the auditor if the auditor will accept the audit assignment or reject it. The client company on profitability considerations is likely to occur in the future litigation.

Based on the above background, the case study can be summarized as follows: (1). Is consideration of the client's business risks relating to the consideration of audit risk and auditor business risk? (2). Is consideration of audit risk and client business risks relating to the consideration of the acceptance of audit assignment? (3). May the auditor's business risk considerations moderate the relationship between audit risk considerations to consider acceptance of audit assignment? (4) May the auditor's business risk considerations moderate the relationship between client business risk considerations to consider the acceptance of audit assignment? (5). Are consideration of audit risk, auditor business risk considerations and client business risk considerations relating to auditor strategy to adapt proactively to the risk?

Theoretical Framework

Failure Audit

Many accounting and legal professionals believe that the main cause of lawsuits against accounting firms is a lack of understanding of financial statement users about the difference between failure and failure of auditing company, and between audit failure and audit risk. Audit failure is a situation where the auditor issues a wrong audit opinion because it fails to meet the requirements of the applicable inspection norms. In the event of the failure of the company, there may be a failure or not the audit. Furthermore, a wrong audit opinion can be issued if the audit actually follows examination applicable norms. This situation is the concept of audit risk.

Audit planning

The reason why the auditor should properly plan assignment is so that he can obtain sufficient competent evidence in the situation at that time, to help reducing the cost of the audit, and to avoid any misunderstanding with the client. Getting competent evidence is essential if the public accounting firms want to press legal liability to a minimum and maintain a good reputation in the profession. Avoiding any misunderstanding with the client is important to cultivate good relationships with clients and to facilitate the implementation of quality work at a reasonable cost.

Sampling risk

Some aspects of risk are associated with the audit of financial statements. Internal controls are ignored in determining the inherent risk because it is considered separately in the audit risk model as control risk. The auditor should consider several key factors in analyzing the inherent risks, such as (1) the nature of the client's business, (2) the integrity of management, (3) client motivation, (4) the results of previous audits, (5) the first time and the next assignment, (6) special relationship, (7) non-routine transactions, (8) the consideration required to record the approximate balances and transaction correctly, (9) the ease against fraud, (10) the approximate number of dollars in the balance, (11) the size of the population, and (12) the elements that make up the population.

Hypothesis development

Audit risk is the risk where the auditor is failed to provide an opinion on the financial report showed that material misstatements. Many previous studies try to relate between audit risk considerations, auditor business risk and client business risk, like stated by Kruetzfeldt and Wallace,(1986), O'Keefe et al. (1994) and Palmrose (1987). The researchers on the basis of practical thought to determine the acceptance or rejection of the financial statement audit engagements. Furthermore, they should try to develop the logic that the client's business risk and audit risk have the unique characteristics of the client order. They may mutually influence in the decision making process auditing financial reports client assignment.

H1a: Consideration of client business risks are positively relating with consideration of audit risk.

Some researches on decision-making assignment of auditing the financial statements of the client try to provide evidence that the assignment decision in auditing a client's financial statements also relate to the auditor's consideration of the business if accept or reject the assignment. Research Asare et al. (1994) stated that on the basis of incentive / compensation for auditors, a partner in the decision to accept or reject the assignment of auditing the financial statements of the client consider the client's business risk and audit risk. Clients with higher audit risk is likely to cause the higher cost of the process and high auditing procedures. The impact the public's response and possible emerging legal fees / legal are faced by the accounting firm public.

H1b: Consideration of audit risk is positively related to the auditor's consideration of business risk.

H1c: Consideration of the client's business risk is positively related to the auditor's consideration of business risk.

Professional auditing standards do not explicitly provide guidance specifically on how the auditor should make a strategy to adapt to the risks that occur in the process of auditing. Huss and Jacobs (1991) interviewed six partners of the firm concluded that consideration of risk occurred during the process of acceptance or rejection of the assignment of auditing financial statements and considerations that influence the decision.

- H2a: Consideration of audit risk associated with the acceptance or rejection of negative audit client's financial statements assignments.
 H2b: Consideration of client's business risks associated with the acceptance or rejection of negative audit client's financial statements assignments.

Baron and Kenny (1986) explain that the auditor's business risk will mediate the effect of the auditor's consideration of audit risk to an admission decision or reject the audit assignment if the conditions are as follows: (1) Consideration of audit risk affect the auditor's consideration of business risks or auditor firm risk, (2) Consideration of the auditor's business risk will affect the acceptance of the assignment of auditing clients, (3) The strength of the relationship between the consideration of audit risk acceptance decisions will be reduced when the task of auditing the auditor's business risk into consideration the auditor / audit firm.

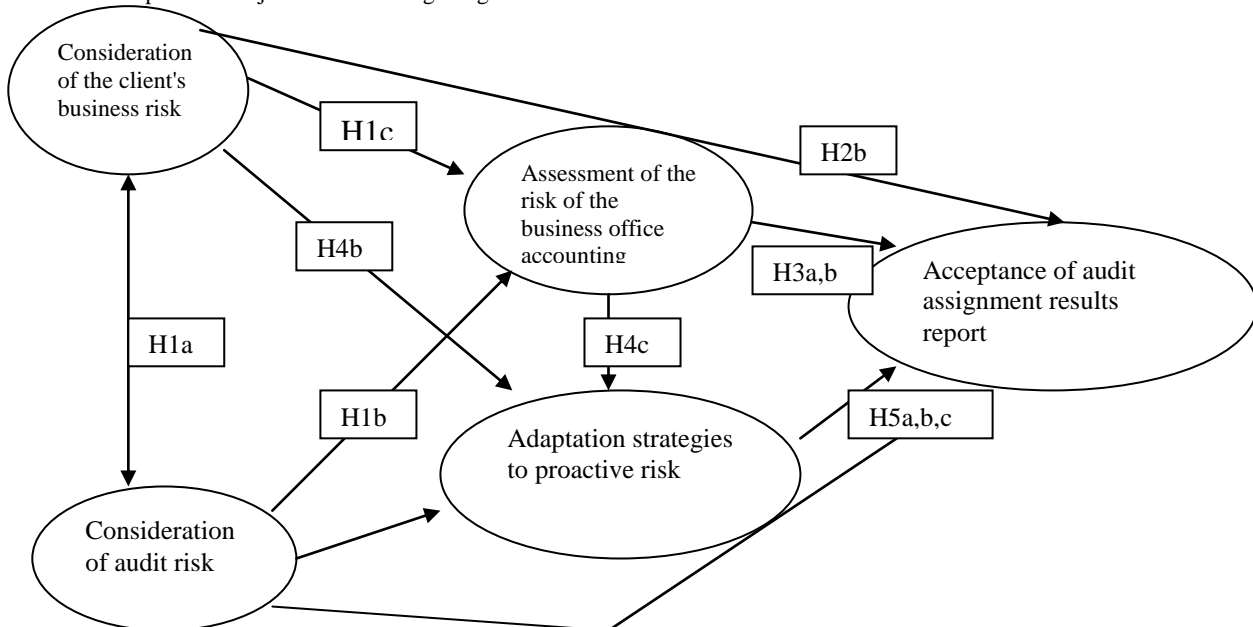
- H3a: **Business risk** considerations may mediate the relationship between the auditor's consideration of audit risk by the decision of acceptance or rejection of the audit assignment
 H3b: **Business risk** considerations may mediate the relationship between the auditor's consideration of client's business risks with consideration of acceptance of audit assignment

Baron and Kenny (1986) stated that strategies to proactively adapt to the risk acceptance decisions can moderate the auditing task if: (1). Consideration of audit risk affects the use of proactive strategies against these risks. (2). Proactive strategy to influence the acceptance of risk auditing assignment. (3). The relationship between the receipt of the consideration of audit risk auditing assignments will be reduced if the proactive strategy against the risk included in the model.

- H4a: Consideration of audit risk is positively related to adaptation strategies to proactive risk.
 H4b: Consideration of client's business risk is positively related to adaptation strategies to proactive risk.

Furthermore, auditor firm (in this case the size of the firm, litigation risks, potential witnesses regulation occurs, potential reputation risk will occur) may also be associated with changes in adaptation strategies to proactive risk. Pratt and Stice (1994) explain that although the audit standards do not so clearly describe the strategy to be adopted in response to changes in business risk auditors, standard suggests that if the auditor plays the low business risk auditors, the auditor should not apply a more expensive procedure than that standardized in the auditing standards.

- H4c.: Consideration of the auditor's **business risk** is positively related to adaptation strategies to proactive risk.
 H5a: Adaptation strategies to proactive risk may mediate the relationship between client business risk with the decision of acceptance or rejection of auditing assignments.
 H5b: Adaptation strategies to proactive risk may mediate the relationship between audit risk by the decision of acceptance or rejection of auditing assignments
 H5c: Adaptation strategies to proactive risk may mediate the relationship between business risk of the firm with the decision of acceptance or rejection of auditing assignments



Research Methods

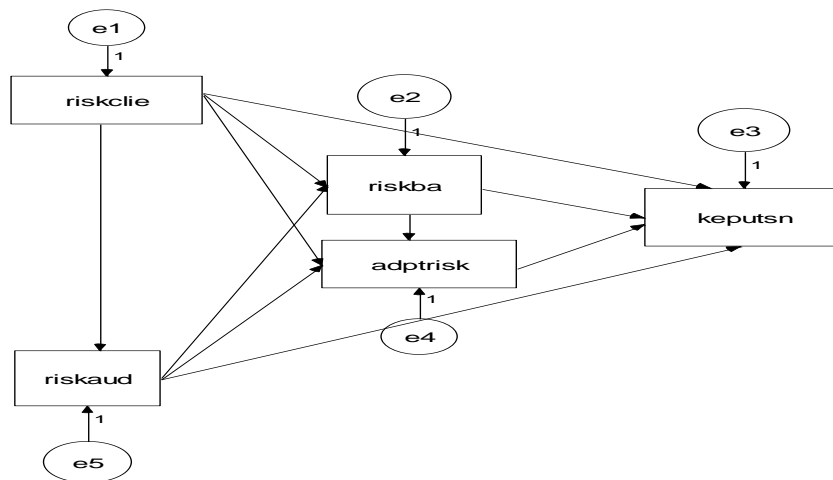
Participants or respondents in this study are the Under Graduate final semester accounting students who enrolled in the Accounting Department of the Soegijapranata Catholic University Semarang . Selection of participants is based on the assumption that in the end of the semester, students have to take a lot of courses into accounting competence and prepared to be able to analyze a variety of cases in the field of accounting and auditing, so armed with the knowledge and analytical skills possessed can draw conclusions and analyze the case of a given experiment by researchers. Researchers determine the participants in the study with the following criteria: (1). The students have taken the course of auditing the financial statements (2). The students have taken the course of analysis of financial statement. The cases of research are given in the class of accouting and auditing practicum .Based on the above criteria, 345 participants.

Definition and Measurement of Variables

Measurement of each variable can be seen in Table 1 and Table 2 as follows:
Table 1 here
 Table 2 here
 All variables were measured by the total answer to the client on all the research that has been suspended questionnaire with Likert scale values 1 to 7.

Data Analysis

Data analysis used in this study were using SEM (structural equation modeling), which will be used to estimate the relationship between the observed indicators of the latent variable. Part of SEM (structural equation modeling) that measures the relationship between latent variables is called structural models. This model is used to answer the hypothetical relationships between latent variables.



Significance Estimation

Relationship Directly

Relationship is directly used to test hypotheses H1, H2 and H4. Hypothesis H1 is translated again into three hypotheses, namely H1a, H1b and H1c. Hypothesis H2 is translated into 3 hypotheses, H2a, H2b and H4 hypothesis H2C while also translated into the 3 hypotheses H4a, H4B and H4c. Results of regression of indicator variables to latent variables can be seen in Table 4.

.....Table 3 here
.....Table 4 here

H1a testing is indicated by the estimation of -0.140, CR (t test) -2.942 with a P value of 0.003. Based on the test results, it can be concluded that the hypothesis H1a, that consideration of the client's business risk is positively associated with the consideration of audit risk, is unacceptable. This is due to the results achieved despite a significant but showed a negative direction. It is associated with a variety of things that exist around the auditing activities, both the scope of the company and the scope of planning and auditing processes. Testing H1b estimates the value shown by 0.262, CR (t test) with P value of 0.000 7.370 (***). Based on the test results, it can be concluded that the hypothesis H1b is acceptable. Audit risk considerations associated is positively and significantly with the auditor's consideration of business risk. H1c testing is indicated by the estimate -0.014, CR (t test) with P value 0.665 -0.434. Based on the test results, it can be concluded that the hypothesis H1c judgment about the client's business risk positive relation with the auditor's business risk considerations can not be accepted. Theoretically, higher audit risk is likely to cause costly auditing processes and procedures, and the possible relation of audit failure in finding possible misstatements of financial reports.

Testing H2a is shown by the estimation of -0.62, CR (t test) with P value 0.009 -2.262. Based on the test results, it can be concluded that the hypothesis H2a, where consideration of audit risk and a significant negative relation with the decision of acceptance or reject the financial statement audit engagements, is accepted. H2b testing is indicated by the estimation of 0.053, CR (t test) with P value 0.005 2.814. Based on the test results, it can be concluded that the hypothesis H2b client business risk considerations and significant negative relation with the results of the acceptance of the audit of financial reports can not be accepted. Theoretically, risk considerations occurred during the process of acceptance or rejection of the financial statement audit engagements and considerations heavily influence the decisions taken. This means that the higher the level of audit risk and client business risk acceptance decisions will reduce the financial statement audit engagements.

H4a testing is indicated by the estimation of 0.441 CR (t test) with P value 5.093 0.000 (***). Based on the test results, it can be concluded that the hypothesis H4a audit risk considerations relating positively and significantly with the adoption of proactive risk is acceptable. H4b testing is indicated by the estimation of 0.099, CR (t test) with P value 0.167 1.382. Based on the test results, it can be concluded that the hypothesis H4b client business risk considerations relating to positive adaptation to proactive risk is unacceptable. Based on the phenomenon, an auditor can perform as disability management strategies for risks. The personnel involved in the audit and or adjust the amount of data collected during the admission process audits a client's financial reports in an effort to manage audit risk, client business risk and auditor firm risk. H4c testing is indicated by the estimation of 0.139 CR (t test) with P value 0.257 1.134. Based on the test results, it can be concluded that the hypothesis H4c auditor business risk considerations relating positively and significantly with the adoption of proactive risk is unacceptable. If the theory and practice, KAP measurement, litigation risk, and potential witnesses regulation occur, the potential reputational risk can also occur in connection with a change adaptation strategies for risk proactively.

Indirectly relationship

.....Table 5 here

The relationship testing is not directly used to test hypotheses H3 and H5. Hypothesis H3 is composed of two hypotheses, H3a and H3b, while hypothesis H5 is elaborated into H5a, H5B and H5c. Auditor business risk considerations may mediate the relationship between audit risk considerations with consideration of acceptance or rejection of the assignment of auditing financial statements. To be able to conclude rejection or acceptance, we should see a direct link and an indirect relationship. Terms of hypothesis H3a are acceptable if: (1). The direct connection with the audit risk of the auditor significant business risks (2). The relationship between business risk auditors with the decision to accept or reject the assignment of auditing the financial statements of significance (3). The magnitude of both coefficients when added is greater than the coefficient of the direct relationship between the risk of audit by acceptance of the assignment. Based on the results above, hypothesis H3a which states that the auditor business risk may mediate the relationship between the acceptance of the assignment of audit risk auditing financial statements is rejected. Based on the indirect table (the default model), an indirect relationship between the receipt of audit risk auditing assignments obtained a coefficient of 0.043. Results of tests of the hypothesis are not significant. Theoretically, public accounting firm must have the right skills in relation to the type of industry clients to be audited. Auditor's judgment about his business risks will be affected by the increase in audit risk, so the effects of audit risk considerations in decision making auditing assignment will change because of the consideration of the firm's business risk. Consideration of audit risk affects the auditor's consideration of business risks /auditor firm risk. Auditor business risk considerations will also affect the assignment of auditing client acceptance.

Hypothesis H3b : business risk considerations may mediate the relationship between the auditor's consideration of client's business risks with consideration of acceptance of audit assignment. To be able to conclude rejection or acceptance, we should see a direct link and an indirect relationship. Based on the results of Table 9, H3b hypothesis which states that the auditor business risk may mediate the relationship between the receipt of the client's business risk auditing financial statements assignments is rejected. Based on the indirect table (the default model), an indirect relationship between the client's business risk

auditing admissions decisions coefficient of 0.009. Results of tests of the hypothesis are not significant. Theoretically, the auditor's judgments about his business risks are affected by the increase in audit risk, so the effects of audit risk considerations in decision making auditing assignment will change because of the consideration of the firm's business risk.

Hypothesis H5a states that to be able to conclude rejection or acceptance, we should see a direct link and an indirect relationship. Terms hypothesis H5a are acceptable if: (1). There are direct relationship among the client's business risk adaptation strategies with the risks proactively. (2). There are relationships between adaptation strategies to proactive risk with acceptance or rejection decision assignment of auditing the financial statements of significance (3). The magnitude of both coefficients when added is greater than the coefficient of the direct relationship between client business risk with the decision of acceptance or rejection of the assignment of auditing financial statements. Based on the results above, hypothesis H5a which states that adaptation strategies to proactive risk may mediate the relationship between the receipt of the client's business risk auditing financial statements assignments is rejected. Based on the indirect table (the default model), an indirect relationship between the client's business risk auditing admissions decisions coefficient of 0.009. Results of tests of the hypothesis are not significant. Theoretically revealed that auditor firm (in this case the size of the firm, litigation risks, potential witnesses regulation occurs, potential reputation risk will occur) may also be associated with changes in adaptation strategies to proactive risk.

H5b : Adaptation strategies to proactive risk may moderate the relationship between audit risk by the decision of acceptance or rejection of the assignment of auditing financial statements. To be able to conclude rejection or acceptance, we should see a direct link and an indirect relationship. Terms H5b hypothesis are acceptable if: (1). There are direct connections between the audit risk adaptation strategies with risks proactively. (2) There are relationships between adaptation strategies to proactive risk with acceptance or rejection decision assignment of auditing the financial statements (3). The magnitude of both coefficients when added is greater than the coefficient of the direct relationship between the risks of audit by acceptance or rejection decision assignment of auditing financial statements. Based on the results above, H5b hypothesis which states that adaptation strategies to proactive risk may mediate the association between the risks of audit by accepting or rejecting decision assignment accepted auditing financial statements. Based on the indirect table (the default model), an indirect relationship between the client's business risk auditing admissions decisions coefficient of 0.009.

H5c hypothesis : Adaptation strategies to proactive risk may moderate the relationship between business risk auditors with the decision of acceptance or rejection of the assignment of auditing financial statements. Terms H5c hypothesis are acceptable if: (1). There are direct relationships between the auditor's business risk adaptation strategies with risks proactively. (2) There are relationships between adaptation strategies to proactive risk with acceptance or rejection decision assignment of auditing the financial statements of significance (3). The magnitude of both coefficients when added is greater than the coefficient of the direct relationship between the risks of audit by acceptance or rejection decision assignment of auditing financial statements.

Based on the results above, H5c hypothesis which states that adaptation strategies to proactive risk may mediate the relationship between business risks of the firm with the decision of acceptance or rejection of the assignment is accepted auditing financial statements. Based on the indirect table (the default model), the indirect relationship between business risk auditors with auditing admissions decisions obtained a coefficient of 0.043.

CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

Conclusion

From the results of testing the hypotheses proposed in this study, it can be summarized that: (1). Consideration of the client's business risk is significantly and negatively associated with audit risk considerations. (2). Consideration of audit risk is associated positively and significantly with the auditor's consideration of business risk. (3) Consideration of client's business risk has nothing to do with the auditor's consideration of business risk. (4). Consideration of audit risk is significantly and negatively associated with the decision of acceptance or rejection of the assignment of auditing the financial statements of the client. (5). Consideration of client's business risks is associated positively and significantly with the decision of acceptance or rejection of the client's financial statements auditing assignment. (6). Auditor's consideration of business risk cannot mediate the relationship between audit risk considerations with considerations of acceptance or rejection auditing financial statements. (7). Auditor's consideration of business risk cannot mediate the relationship between the receipt of the client's business risk in auditing financial statements assignments. (8). Consideration of audit risk is associated positively and significantly with adaptation strategies to proactive risk. (9) Consideration of client's business risk has nothing to do with adaptation to risks proactively. (10). Auditor's consideration of business risks is not associated with adaptation strategies to proactive risk. (11) The strategy of adaptation to proactive risk cannot mediate the relationship between the receipt of the client's business risk in auditing financial statements assignments. (12) .Adaptation strategy to proactive risk may mediate the relationship between audit risk by the decision of acceptance or rejection of the assignment of auditing financial statements. (13) The strategy of adaptation to proactive risk may mediate the relationship between business risks of auditors auditing the financial statements of acceptance of the assignment.

Limitations that encountered researchers in conducting this study is: From the thirteenth hypothesis outlined in H1a, H1b, H1c, H2a, H2b, H3a, H3b, H4a, H4B, H4c, H5a, H5B, and H5c, only 5 hypotheses are acceptable and consistent. It happens because the respondents used in this study are final semester students, who have no experience in the process of auditing the financial statements. So the answer is probably not collected based on the practice but from auditing pattern, or they do not read and understand the earnest questionnaire items in each case resulting in biased results. Treatment in the form of an explanation of the research material and concept has been carried out to help the students filling out their questionnaires. Obtained results will likely be very different if the study is set to the auditors who have been practicing.

Recommendation

Based on the research results and the limitations of the study, the researcher can give recommendation as follows:

1. Further research can be conducted using different respondents (such as auditors) or with a wider sample (comparing the student's understanding that has not been practicing with the auditors).
2. The accounting education can enrich the teaching process of auditing the case of different and more complex so that students understand the process of auditing and auditors work in the field, as well as the risks that must be faced by auditors in a financial statement audit client assignment.

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Table 1: Independent Variabel Description

The risk of business clients	
Operational Definition: Consideration of client business risk is the auditor's judgment about the risk associated with the client's economic condition both short-term and long-term	
Comparison with industry averages	Various account balances and financial ratios for several years show that the performance of the company is 35% better (worse) than the industry in average
financial trends	Various account balances and financial ratios for several years show a downward trend (increasing)
Long-term planning	A limited number of (material) of long-term planning as a basic direction of the company in the future
industry competition	Relatively large number of (small) companies that improve the condition of the industry. Competition between companies is high (low)
Audit Risk	
Operational Definition: Consideration of audit risk is the risk of the auditor's consideration of failing to provide an opinion on the financial statements that suffered material misstatement. Usually this risk is proxied by the inherent risk and control risk	
The nature of the industry	The company is manufacturing and distributor of equipment and supplies in an industry

behavior management	that has a stable (unstable) pattern of growth
Sifat industri	
The relationship between the auditor and former clients	In discussions with the predecessor auditor you can learn that when problems arise in the past of the accounting, management companies quickly react negatively (positively) to the predecessor auditor's recommendations to solve accounting problems. In addition, the predecessor auditor informs you that the management has not been able to approve (can approve) a conservative financial treatment of complex accounting issues
The level of consideration required	The relative percentage of accounts receivable and inventory to total assets is higher (lower) than the industry average. The level of subjectivity judgment is required to assess the assets of the company higher (lower) than generally.
behavior management	Top management does not (can) control the internal control is strong (weak)
Internal audit department	The Company has (not) the internal audit department
Business risk auditors	
Operational definition: business risk considerations KAP / auditor is the auditor's judgment about the risks faced by the auditor relating to the company's experience in the field of auditing (KAP), the time of assignment, as well as pricing strategies implemented in the audit planning	
time assignment	Client's fiscal year end December 31 (June 30)
Adaptation strategies to proactive risk	
Expertise in KAP	Have areas of specialization or not
additional billing	Based on discussions with management, whether there is a spin off of work as a tax consultant (not)
strategies competitors	There may be a threat to the auditing assignment because of competition in the pricing strategy / audit fee
Adaptation strategies to proactive risk	auditors adjust audit fees, make planning of the audit evidence needed, the personnel involved in auditing and or adjust the amount of data collected during the process of receiving the task of auditing a client's financial statements as an attempt to manage audit risk, client business risk and business risk of the firm / auditor
The decision of acceptance or rejection of the assignment of auditing the financial statements	is a deal to be taken by the auditor relating to the consideration of audit risk, client business risk and auditor business risk, and to accept or reject the audited financial statements.

Source: Karla M. Johnstone

Table 2: Each translation of Indicator Variables of the Study Questionnaire

Consideration of the client's business risk	
Indicator 1	How is your acceptance of short
Indicator 2	How is your acceptance of short
Indicator 3	How is your acceptance of the short
Considerion of the auditor's business risk	
Indicator 1	What is your acceptance of the possibility of the company's financial statements contain a material misstatement?
Indicator 2	What is your acceptance of the inherent risk (such suspicion would misstated financial statements with minimal control)?
Indicator 3	What is your acceptance of control risk (in this case the risk of the client's internal control structure does not effectively prevent or detect fraud or misstatements that may occur?
Consideration of auditor business risk	
Indicator 1	The possibility of letigation to be faced by KAP where you work?
Indicator 2	Possibility of performance audit services can benefit the firm you work for?
Indicator 3	The possibility of other pricing strategy of the firm will affect the profitability of your KAP, KAP you will likely lose the audit assignment?
Adaptation strategies to proactive risk	
Indicator 1	The amount of audit fees that you recommend to the company
Indicator 2	How many audit evidence should be collected to ensure that the audit company has presented the financial statements based on standards?
Indicator 3	The level of experience required by members of the audit team to be able to provide audit services?
Indicator 4	The amount of information required about the company before deciding to accept the audit assignment?
Indicator 5	Possible need of other experts to review the results of the assignment?
Indicator 6	Aggressive pricing strategy do you suggest as a way to fight competitors and gain clients?
Decision to accept the assignment of auditing	
Indicator 1	Based on the above considerations and decisions, (the time of audit, the level of

	experience of the team that conducts audits, etc.) are likely to bring you to the decision to accept a company as a client?
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Source: Karla M. Johnstone

Table 3: Hypothesis Testing Results

Regression Weights: (Group number 1 - Default model)							
			Estimate	S.E.	C.R.	P	Label
riskaud	<---	riskclie	-.140	.048	-2.942	.003	H1a
riskba	<---	riskclie	-.014	.032	-.434	.665	H1c
riskba	<---	riskaud	.262	.036	7.370	***	H1b
adptrisk	<---	riskba	.139	.122	1.134	.257	H4c
adptrisk	<---	riskaud	.441	.087	5.093	***	H4a
adptrisk	<---	riskclie	.099	.072	1.382	.167	H4b
keputsn	<---	riskclie	.053	.019	2.814	.005	H2b
keputsn	<---	riskba	.038	.032	1.186	.235	H2c
keputsn	<---	adptrisk	.069	.014	4.833	***	
keputsn	<---	riskaud	-.062	.024	-2.626	.009	H2a

Variances: (Group number 1 - Default model)						
		Estimate	S.E.	C.R.	P	Label
e1		13.500	1.031	13.096	***	
e5		10.452	.798	13.096	***	
e2		4.531	.346	13.096	***	
e4		23.204	1.772	13.096	***	
e3		1.600	.122	13.096	***	

Table 4: Result Of Direct Effect

Direct Effects (Group number 1 - Default model)				
	riskclie	riskaud	riskba	adptrisk
riskaud	-.140 (H1a)	.000	.000	.000
riskba	-.014 (H1c)	.262 (H1b)	.000	.000
adptrisk	.099 (H4a)	.441 (H4b)	.139 (H4c)	.000
keputsn	.053 (H2b)	-.062 (H2a)	.038 (H2c)	.069

Source: primary data processed

Table 5: The Result Of Indirect Effects

Indirect Effects (Group number 1 - Default model)

	riskclie	riskaud	riskba	adptrisk
riskaud	.000	.000	.000	.000
riskba	-.037	.000	.000	.000
adptrisk	-.069	.036	.000	.000
keputsn	.009	.043	.009	.000

Source: primary data processed