

Examining belief adjustment model and framing effect on the audit materiality level decision-making

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ABSTRACT

The purpose of this study is to examine whether or not there is a difference in the decision-making of external auditors in determining the level of audit materiality between participants who get good news followed by bad news and those who get bad news information sequences (bad news) followed by good news (good news) with a step-by-step and end-of-sequence information presentation pattern in the positive frame or negative frame. The research method used in the research is the mixed design experiment method (between and within the subject) which manipulates the independent variables of the order of evidence (good news followed by bad news and bad news followed by good news) and framing effect (positive frame or negative frame) in the presentation pattern Step by Step and End of Sequence. Participants in this study were 150 students of the Bachelor of Accounting study program at Hayam Wuruk Perbanas Surabaya University with 300 experiment data. This study uses the normality test and the Kruskal-Wallis H test. The results of this study indicate that the Step-by-step presentation pattern can cause a recency effect when receiving information with a sequence of evidence of good news followed by bad news and bad news followed by good news both in the series, with the positive or negative frame, and the results obtained if the information is presented with an End of Sequence presentation pattern with information and a sequence of evidence of good news followed by bad news or bad news followed by good news there is no difference (no order effect) either in the framing effect (positive frame and negative frame).

Introduction

Auditors take actions that can be said to be irrational because of the framing of information. Framing suggests that decision-makers will respond to similar things differently if the problem is presented in a different form (Almilia et al., 2020). The use of one's language is one aspect of the frame used to influence decision-makers. Koonce et al. (2005) show that only disclosing the company's losses can describe the company's risk in terms of the framing effect. Framing is used to present problems with different situations and cause a person to make different decisions for each situation. The framing effect is a common condition and needs to be watched out for because it can cause bias in decision-making. Koonce et al. (2005) stated that providing information with a positive framework will affect decision-makers in making less risky decisions that are risk-averse and vice versa if providing information with a negative framework will affect risky information decision-making. In the framing effect, an event can cause the decision-maker to respond differently (with the same problem) if the information is presented differently. Framing information (positive framing and negative framing) without changing the meaning of the information will be used to influence decision-makers.

The business world is growing rapidly and triggers competition. The amount of competition has an impact on the company to require the services of an auditor who works independently to provide services in the final results of the audit of financial statements. An independent auditor is an auditor who does his work not only for the interests or needs of related parties such as clients, but also for the interests of other parties such as stakeholders, including shareholders and other users of information. Thus, auditors are required to be able to produce transparent financial reports to assist in examining the company's financial statements. Auditors auditing the company's financial statements have various considerations to make audit decisions regarding the opinions to be presented in an audit report.

An auditor in determining the materiality level of misstatements from the financial statements is preceded by determining the policy regarding the materiality level of misstatements to determine the limit on the materiality of financial statement misstatements. Determining the level of materiality aims to make audit decisions. The decision regarding if there is a misstatement in the auditor's financial statements can determine whether the error is material or not. Auditors in carrying out audit procedures will also not avoid cognitive limitations when receiving and managing information related to the company to be audited and this has an impact on information bias. Auditor bias can occur when the auditor obtains information about the company, where the order, presentation of information, and series of information varies. The diversity of information received can make the auditor wrong in concluding and have an impact on the decisions taken.

Literature Review

The Belief Adjustment Model

The adjustment model was proposed by Hogarth and Einhorn (1992) and is commonly known as the belief adjustment model. The belief adjustment model predicts that the way a person improves his or her current beliefs is influenced by the information received as a whole and the individual has limited memory capacity to remember. So that individuals tend to change the beliefs that have been made through the adjustment process. This adjustment process occurs when the individual obtains new evidence that supports the revision or change of beliefs that have been made earlier. The development of the belief adjustment model from Hogarth and Einhorn (1992) has three main characteristics used in Bayes' Theorem, namely (1) direction, (2) strength, and (3) type of evidence. Bayes' Theorem also expands its scope by adding two additional characteristics, namely the order of information and the model of presenting information.

Recency Effect and Primacy Effect

The theory of belief adjustment model belonging to Hogarth and Einhorn (1992) states that in making decisions, individuals often use the effect of the order or arrangement of evidence presented as consideration. The effect of the order or arrangement of evidence has several types, namely primacy effect, recency effect, and no order effect. The primacy effect type will occur if the evidence presented at the beginning is used more as a consideration for decision-making than the evidence presented at the end. This type of recency effect will occur if the evidence presented at the end is much more used as a consideration for decision-making than the evidence presented at the beginning.

Framing Effect

The framing effect involves problems with two frames (positive and negative). If the problem is conveyed in positive words, then the problem will be considered for consideration and tends to avoid risk. Meanwhile, if the problem is negative, the decision-maker will feel the emergence of losses. The results of Fehrenbacher et al (2018) research show that based on the assumption that individuals behave rationally, information with positive risks will result in individual profit levels which are likely to be responded to by decisions that do not reduce the benefits to be received. Decisions that do not reduce profits are decisions that have the least risk.

Decision making is caused by framing so that irrational behavior appears and this has been proven by various kinds of evidence. Fehrenbacher et al. (2018) explain the framing effect phenomenon through prospect theory which states that the framing adopted by managers or auditors can influence the decisions they make. Managers and auditors process the information received into a decision on a problem based on the adopted framing. There is also some evidence that has been done by previous researchers, where many have proven that the framing effect can change or manipulate the tendency of decision-making risks. When decision alternatives are framed positively, then groups or recipients of information will tend to avoid risk than individuals, and when decision alternatives are framed negatively, recipients of information will certainly tend to take risks when compared to individuals.

Decision-Making on Audit Materiality Levels

The audit materiality level decision is related to the assessment of material or immaterial misstatement information. The materiality concept is an important tool in improving audit quality, so a regulatory framework is needed to apply the materiality concept in the implementation of audits (David & Abeysekera, 2021). Immaterial information is important information that requires explanation in the audit report containing a qualified opinion and this information cannot be simply ignored. Material information is information that is very important to the auditor's opinion on the audited financial statements. Considerations used by auditors in determining whether the information is included in the type of information that is less or very material include the size and nature of the information, the uncertainty inherent in the information, how far the impact of the information is pervasive, and the possibility of errors resulting from the information.

Making decisions on the level of audit materiality is very important when examining financial reports. Errors in decision-making regarding audit materiality levels will ultimately have an impact on decision-making by stakeholders. This requires auditors to make decisions on audit materiality levels carefully, cautiously, and objectively. The problems of applying Materiality and the preparers' fear of accountability lead to the provision of all the disclosure requirements contained in the standards, regardless of their importance, which in turn exacerbates the problem of excessive disclosure (Alardi & Altass, 2022).

Christensen et al. (2020) examine the effect of audit materiality on professional investors' investment decisions and the role of the level of materiality disclosed by auditors on investment decisions. Christensen et al. (2020) find that participants who read audit reports that disclose audit materiality do not make significantly different investment decisions than investors who do not receive an audit materiality disclosure. The other finding of this research is investors perceive the lower level of reported audit materiality to be a signal of increased auditee risk. The results of this research indicate that the level of materiality influences investor decision-making.

Hypothesis

The belief adjustment model Hogarth and Einhorn (1992) have classified various possible effects of information order. Two patterns of information presentation that will be tested in this study are (1) SBS and (2) Eos with two sequences of evidence of good news followed by bad news and bad news followed by good news and information framing, namely positive framing and negative framing which will be used as independent variables. In determining the audit materiality level decision-making. So based on the explanation above, the framework of thinking can be made.

Almilia et al. (2020) show that investors will respond more to good news with positive framing than those with negative framing, and investors will respond more to bad news with positive framing than with negative framing. The results of this research show that individuals respond better to information that is framed positively.

Hadi et al. (2019) show the results that the framing effect influences non-professional investors in making investment decisions. This is shown by the fact that non-professional investors tend to give a negative response to information that is framed negatively and give a positive response to information that is framed positively. This shows that non-professional investors are still unable to properly grasp the content of information if the information is framed positively or negatively.

Eilifsen et al. (2021) delve into the significance of materiality information for investors, particularly focusing on two disclosures aimed at aiding investors in assessing the reliability of subjective fair value estimates: quantitative sensitivity analysis and auditors' quantitative materiality thresholds. The research results of Eilifsen et al. (2021) show that when investors are presented with quantitative sensitivity analysis and disclosure of materiality thresholds, investors are better able to recognize when an estimate is relatively reliable (i.e., the sensitivity is low) versus when it is unreliable (i.e., the sensitivity is high). However, without materiality disclosures to help investors interpret the QSA, investors fail to recognize the difference in reliability between the two sensitivity levels.

DeZoort et al. (2019) show significant differences in materiality assessments between unsophisticated investors and sophisticated investors. The differences like materiality considerations at various levels of investor sophistication demonstrate the need for auditors to consider various investor dimensions in planning audits and applying professional standards. In addition, regulators and standard setters should carefully assess whether current materiality guidelines can address the challenges auditors face in conveying materiality information to investors.

Materiality-level audit decision-making considers misstatement decisions that must be correct to produce audit reports that follow the actual situation so that it has an impact on the accuracy of stakeholders and users of financial statements in making decisions. This research examines decision-makers who are often irrational. The same information but presented in a different order will have an impact on decision-making. Investors will respond to stock prices higher when information is presented in the order bad news - good news compared to when information is presented in the order good news - bad news (Almilia & Supriyadi, 2013).

This research also examines the impact of the framing effect in decision-making. Individuals tend to respond better when information is presented with positive framing compared to negative framing (Almilia et al., 2020). Information that is framed negatively, even though it is good news, tends to present information about losses that will be borne. Meanwhile, information that is framed positively, even though it is bad news, tends to present information about the benefits that will be obtained.

This research also examined the step-by-step presentation pattern in the Belief Adjustment model. The step-by-step presentation pattern is where information is presented in stages, in the Belief Adjustment model, information presented in stages has the potential for sequence effects. Hadi et al. (2019) show that the review effect occurs when the information presentation pattern is step-by-step. The results of research by Ayunanda and Utami (2016) show that there is a review effect on internal auditor decision-making when information is presented in a step-by-step pattern, namely with positive and negative information (negative sequence). Where participants pay more attention to the final information than the initial information. So this research provides support for the belief revision model by Hogarth and Einhorn (1992), especially in the context of Audit Practice.

Nisa (2017) shows that the step-by-step presentation pattern can lead to a recency effect when receiving simple and short information for accounting and non-accounting types of information. The cause of the recency effect is that information presented in a step-by-step sequence provides more opportunities to make adjustments. This research examines the sequence effect, framing effect, and step-by-step presentation pattern in auditor decision-making. Previous research provides evidence that the same information but presented in a different order, framing, and presentation pattern produces different decisions. Based on the background and previous studies that have been described previously, the hypothesis of this research can be formulated:

- H₁: There is a difference in decision-making on the level of audit materiality between research subjects who receive good news information followed by bad news information with positive framing compared to research subjects who receive bad news information followed by good news information with positive framing on the step-by-step information presentation pattern.
- H₂: There is a difference in decision-making on the level of audit materiality between research subjects who received good news information followed by bad news information with negative framing compared to research subjects who received bad news information followed by good news information with negative framing on the step-by-step information presentation pattern.

The framing effect involves problems with two frames (positive and negative). If problems are conveyed with positive words, then the problem will be considered profitable and people will tend to avoid risks. Meanwhile, if the problem is negative, the decision-maker will feel a loss. Fehrenbacher et al. (2018) show that based on the assumption that individuals behave rationally, information with positive risks will produce a level of profit for individuals who are likely to respond with decisions that tend not to reduce the profits they will receive. Decisions that tend not to reduce profits are decisions that have the least risk.

Fehrenbacher et al. (2018) show the framing effect phenomenon through prospect theory which states that the framing adopted by managers or auditors can influence the decisions they make. Managers and auditors process the information received into a decision on a problem based on the framing adopted. There is also some evidence that has been carried out by previous researchers, many of which prove that the framing effect can change or manipulate the risk tendencies of decision-making.

End-of-sequence presentation in the Belief Adjustment Model is where the information is presented as a whole, this has the effect of eliminating the recency effect if the presentation of the information is presented in step-by-step form. Based on the background and previous studies that have been described previously, the hypothesis of this research can be formulated:

- H₃: There is a difference in decision-making on the level of audit materiality between research subjects who receive good news information followed by bad news information with positive framing compared to research subjects who receive bad news information followed by good news information with positive framing in the End of sequence information presentation pattern.
- H₄: There is a difference in decision-making on the level of audit materiality between research subjects who receive good news information followed by bad news information with negative framing compared to research subjects who receive bad news information followed by good news information with negative framing in the End of sequence information presentation pattern.

Research Method

Research Subject

The participants in this study were undergraduate accounting students from Hayam Wuruk Perbanas Surabaya University who had criteria for having taken or currently taking the Audit Practice course. The total subjects who took part were 150 students who were divided into 4 groups, where groups 1 and 2 consisted of 38 participants per group working on assignments 1 and 2, then groups 3 and 4 consisted of 37 participants per group working on assignments 3 and 4. Each participant does 1 assignment consisting of 2 scenarios so the total number of participants in assignments 1 and 2 are 152 research data. Assignments 3 and 4 also consist of 2 scenarios so the total number of participants in assignments 3 and 4 are 148 research data. The total observations for assignments 1 to 4 are 300 observations consisting of 150 participants of undergraduate students of the 2018 Accounting Study Program. Random assignment is carried out by giving random assignments to participants who are willing to take part in the experimental process. This is done so that each participant gets the same opportunity to be in the control group or experimental group.

Experiment Design

Based on the research objectives, this research can be categorized into basic types of research. In basic research, the priority is to prove theories that are already applicable or exist in society without looking at them from a

practical point of view. According to Sugiyono (2015), basic research has the aim of developing a theory so that it can help the development of science.

Based on the characteristics of the problem, this research can be categorized into the type of experimental research. Experimental research can be used to relate the cause and effect of two or more variables by manipulating and treating the researcher by using empirical research data where the data will be obtained from observation or experience.

Procedure and Assignment

This study uses a web-based experiment design, namely experiments carried out using JOTFORM media and research subjects will answer questions given online. This experimental study uses a design that is 2x2x2 mixed design (between and within-subject) with manipulated independent variables, namely the sequence of evidence (++ -- and --++) and framing (positive framing and negative framing) in the pattern of presenting information on SbS and EoS. Where between is the sequence of information and within is the framing effect.

The task of a participant in this study is to act as an external auditor who is auditing the financial statements of PT Sarwindah Jaya. PT Sarwindah Jaya is a company in the electronics sector that has been operating since 2005. Furthermore, after information on audit findings was given to participants, they were then asked to provide a judgment on the materiality level assessment on a scale of 1 to 7 from the audit findings that had been received, (1) if the participant assesses the audit information or findings to be VERY MATERIAL and (7) if the participant views the audit information or findings as VERY IMPOSSIBLE for the fairness of the company's financial statement misstatements.

Research Variable

The dependent variable in this study is the decision on the level of audit materiality. The independent variables in this study were the order (good news followed by bad news and bad news followed by good news), the step-by-step and end-of-sequence presentation pattern, and the framing effect (positive framing and negative framing).

Data Analysis Technique

The data analysis technique used in this research is the Normality Test. The normality test aims to test whether, in the regression model, the confounding or residual variables have a normal distribution. The normality test used is Kolmogorov Smirnov where it is said to be normal if it has a significance of 0.05. Ho is accepted if the significance is 0.05, and Ho is rejected if the significance < 0.05. After testing the data with the normality test to find out the residual value is normally distributed, then using the ANOVA test which aims to compare the averages of two or more groups that are not related to each other, whether the two groups have the same average value or not. significant. If the residual value is not normally distributed, then use the Kruskal-Wallis H test.

Results and Discussion

Check Manipulation and Hypothesis Testing

The following are the criteria for manipulation checks and audit general knowledge for participant data that can be processed further:

1. Participants answered at least 2 questions correctly out of 3 manipulation check questions. This is to find out that the participants have paid attention to the information on the materiality level audit findings that have been provided.
2. Participants answered at least 2 questions correctly out of 5 questions about auditing general knowledge. This is to determine the general knowledge of participants about auditing so that participants can answer experimental questions regarding decisions on audit materiality levels.

Table 1. Data on the Number of Participants Based on Experimental Scenarios

| Scenario | Presentation Pattern | Proof Order | Framing | Total Research Data | Description |
|----------|----------------------|-------------|-------------------------|---------------------|---------------------|
| I | SbS | ++- | <i>Positive Framing</i> | 33 | <i>Mixed Design</i> |
| II | | --++ | | 33 | |
| III | | +++ | <i>Negative Framing</i> | 33 | |
| IV | | --++ | | 33 | |
| V | EOS | ++- | <i>Positive Framing</i> | 33 | |
| VI | | --++ | | 33 | |
| VII | | +++ | <i>Negative Framing</i> | 33 | |
| VIII | | --++ | | 33 | |
| Total | | | | 264 | |

These criteria were used by the researchers to check whether the participants could be said to have passed or not in this study so using these criteria from 300 samples, 264 research data passed.

The Effect of Step-by-Step Presentation Pattern, Sequence of Evidence, and Framing Effect on Decision-Making on the Level of Audit Materiality

Table 2 describes the average final judgment on the SbS presentation pattern from the first to the 20th information with positive framing. It can be seen that the average in the 20th decision, in the order of evidence ++- is 2.7, this can indicate that there is a tendency for a recency effect to occur, the respondents tend to give an assessment of the risk following the last information they receive. The average decision of the 20th in the sequence of evidence --++ is 5.8, this can indicate that there is a tendency for a recency effect to occur, where respondents tend to assess risk based on the latest evidence obtained. On average in the 20th decision the sequence of evidence +++ is 2,783, this can indicate that there is a tendency for a recency effect to occur, where respondents tend to assess risk following the last information they received, namely negative information with the value close to (1) for a very material misstatement scale. On average in the 20th decision, the sequence of evidence --++ is 5.8702 this can indicate that there is a tendency for a recency effect to occur, where respondents tend to assess risk following the last information they received, namely positive information with the value close to (7) for the misstatement scale very immaterial. The Kruskal-Wallis H test will then be carried out.

Table 2. Average Final Judgment of SbS Presentation Pattern with Positive Framing

| Evidence Order | Judgment | | | | | | | | | | |
|----------------|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| ++- | 4 | 4,4 | 4,7 | 4,8 | 5,0 | 4,8 | 5,0 | 4,8 | 4,8 | 4,8 | 4,9 |
| --++ | 4 | 3,0 | 2,7 | 2,5 | 2,8 | 2,6 | 2,5 | 2,5 | 2,8 | 2,6 | 2,5 |
| | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | |
| +++ | 3,4 | 3,4 | 3,5 | 3,4 | 3,1 | 3,1 | 3,0 | 3,1 | 3,2 | 2,7 | |
| --++ | 4,4 | 4,6 | 4,9 | 4,9 | 4,8 | 5,3 | 5,3 | 5,2 | 5,6 | 5,8 | |

Based on the results of the Kruskal-Wallis H influence test on the SBS presentation pattern for positive framing, it shows a significant difference in the audit materiality level decision between good. Participants who receive good news with positive framing will give a higher rating (4.10) than participants who receive information. the good news with negative framing (1.50). This study shows that participants will give a higher rating for the good-news-positive frame than the good-news-negative frame in the SBS presentation pattern. Participants who received a bad news-negative frame would give a lower rating (1.50) than participants who received a bad news-positive frame (3.98). It can be concluded that hypothesis 1 is accepted, so there is a significant difference in the average final judgment of participants who received the order of good news followed by bad news compared to participants who received the order of bad news followed by good news. In this study, it was shown that the SbS presentation pattern in positive framing caused a recency effect.

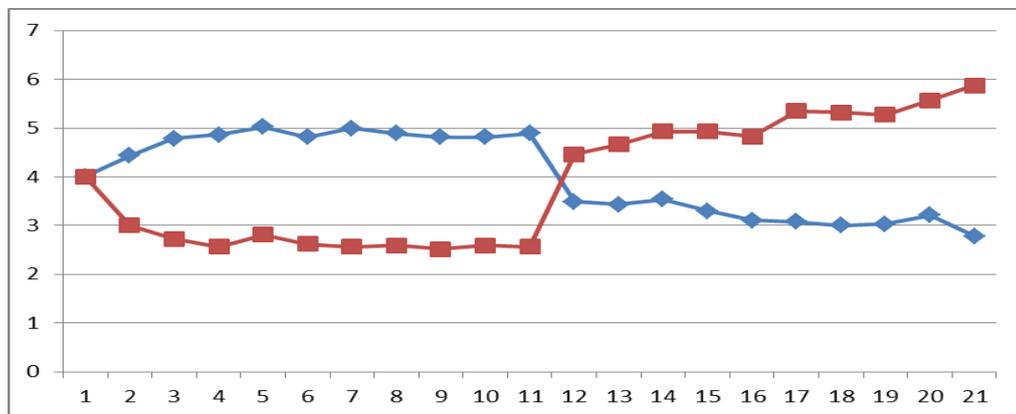


Figure 1. Fishtail Pattern on Confidence Revision taken by External Auditor on Step-by-Step Presentation Pattern

Figure 1 shows the fishtail pattern with the X-axis of the information series presented, namely the 1st to the 20th. The Y axis is the magnitude of the final decision of the participants from the materiality level audit. The results of this study have different results from the theory of Belief Adjustment model of Hogart and Einhorn (1992) which predicts that the primacy effect will occur in the presentation pattern of Sbs and simple information.

The primacy effect occurs when the evidence received at the beginning is more considered than the evidence received at the end.

Table 3. Average Final Judgment of SbS Presentation Pattern with Negativ Framing

| Evidence Order | Judgment | | | | | | | | | |
|----------------|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| +++ | 4,7 | 5,2 | 5,0 | 5,0 | 4,8 | 5,0 | 4,8 | 4,8 | 4,7 | 4,8 |
| --- | 3,3 | 2,9 | 2,9 | 3,1 | 3,1 | 3,1 | 3,2 | 3,2 | 3,0 | 3,6 |
| | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| +++ | 3,2 | 3,0 | 3,0 | 3,1 | 3,0 | 3,2 | 3,0 | 3,1 | 3,2 | 2,6 |
| --- | 4,4 | 4,7 | 5,0 | 5,0 | 4,9 | 5,0 | 4,7 | 5,0 | 5,1 | 5,3 |

Table 3 describes the average final judgment on the SbS presentation pattern from the first to the 20th information with negative framing. In Table 3 it can be seen that the average for the 20th decision, in the order of evidence +++ is 2.6, this can indicate that there is a tendency for a recency effect to occur, where respondents tend to give an assessment of risk following the latest information they receive. The average for the 20th decision with the sequence of evidence --- is 5.3 this can indicate that there is a tendency for a recency effect to occur, where respondents tend to assess risk based on the latest evidence obtained.

Based on the results of the Kruskal-Wallis test on the SBS presentation pattern for negative framing, it show a significant difference in the audit materiality level decision between good news in negative framing and good news in positive framing in the SbS presentation pattern. Participants who receive good news with negative framing will give a lower rating (1.50) than participants who receive good news information with positive framing (4.09). This study shows that participants will give a lower rating for the good news-negative frame than the good news-positive frame in the SBS presentation pattern. Participants who received a bad news-positive frame would give a higher rating (3.91) than participants who received a bad news-negative frame (1.50). It can be concluded that hypothesis 2 is accepted, so there is a significant difference in the average final judgment of participants who received the order of good news followed by bad news compared to participants who received the order of bad news followed by good news. This study shows that the presentation pattern of SBS in negative framing causes a recency effect.

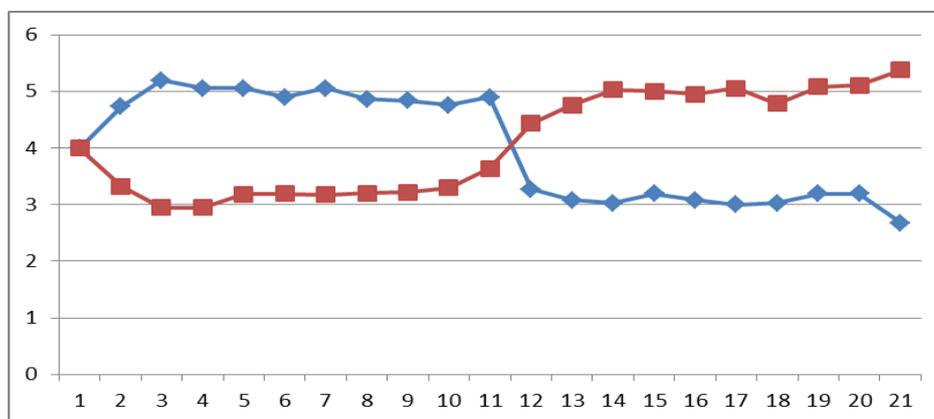


Figure 2. Fishtail Pattern on Confidence Revision taken by External Auditor on Step-by-Step Presentation Pattern

Figure 2 shows the fishtail pattern with the X-axis information series presented, namely the 1st to the 20th. The Y axis is the magnitude of the final decision of the participants from the materiality level audit. The results of this study have the same results as the theory of Belief Adjustment model of Hogart and Einhorn (1992) which predicts that the recency effect will occur in the presentation pattern of SBS and simple information. The recurrence effect occurs when the evidence received at the end is more considered than the evidence received at the beginning.

Results of the Effect of End-of-Sequence Presentation Pattern, Sequence of Evidence, and Framing Effect on Decision-Making on the Level of Audit Materiality

Based on the results of the Kruskal-Wallis H effect test on the EOS presentation pattern for positive framing, it shows that the value of Sig. of 0.383 in scenario five and scenario six. In research, hypothesis 3 is rejected, which shows that there is no significant difference in judgment between good news-positive frames good news-negative

frames bad news-negative frames, and bad news-positive frames on the EOS presentation pattern, causing the No order Effect. No order effect is indicated by the mean value of participants who received an information order (good news followed by bad news) of 3.76 which was lower than participants who received an order of information (bad news followed by good news) of 4.09. The difference between groups of variables is known to be 0.33 so the average results of the two groups show an insignificant difference in the average final judgment of participants who receive the order of good news followed by bad news compared to participants who receive the order of bad news followed by good news in decision-making level audit materiality.

Based on the results of the Kruskal-Wallis H effect test on the EOS presentation pattern with negative framing, it shows that the value of Sig. is 0.147 in scenario seven and scenario eight. In research, hypothesis 4 is rejected, which shows that there is no significant difference in judgment between good news-negative frames and good news-positive frames as well as bad news-positive frames and bad news-negative frames on the EOS presentation pattern, giving rise to the No order effect. No order effect is indicated by the mean value of participants who received information order (good news followed by bad news) which was 3.76 which was lower than participants who received information order (bad news followed by good news) of 4.21. The difference between groups of variables is known to be 0.45 so the average results of the two groups show an insignificant difference in the average final judgment of participants who receive the order of good news followed by bad news compared to participants who receive the order of bad news followed by good news in decision-making level. audit materiality.

Discussion

The results of hypothesis 1 show that there is a recency effect because the evidence received most recently is considered more than the evidence received at the beginning. This discussion concludes that the hypothesis that has been formulated is supported, namely that there is a difference in decision-making regarding the level of audit materiality between participants who received the order of information (good news followed by bad news) followed by participants who received the order of information (bad news followed by good news) in the presentation pattern. SbS with positive framing. The research results are consistent with research conducted by Hanafi (2018) that a recency effect will arise between investors who receive the sequence of evidence of good news followed by bad news and investors who receive bad news followed by good news in a Step-by-step presentation pattern. The results of this research are also consistent with Ayunanda and Utami (2015) who show that auditors tend to revise their beliefs when they receive different information and this creates a recency effect. This research also supports research by Nisa (2017), Anggraeni and Almilia (2017), and Almilia and Supriyadi (2013) which all show that there is a recency effect on investors who receive the order of evidence of good news followed by bad news compared to bad news followed by good news in the step by step presentation pattern

The practical implications of hypothesis 1 from a psychological perspective are that external auditors have cognitive limitations in remembering the information that has been presented to determine the audit materiality level of financial statement misstatements, whether they experience material misstatements or not. The auditor's materiality decision-making greatly influences the audit report that will be issued by the auditor as material for decision-making for stakeholders so the auditor must be careful, careful, and precise in determining whether the audit findings/information received is materially misstated or not. Based on the research results of Almilia and Supriyadi (2013), individuals are more likely to consider the information received at the end as material for consideration in making decisions about audit materiality levels because of the limited memory each individual has so that not all of the information presented as audit findings can be remembered in its entirety by the auditor.

The results of hypothesis 2 show that a recency effect occurs because evidence received at the end is more considered than evidence received at the beginning. Apart from that, the cause of the recency effect is that the presentation of information sequentially provides many opportunities to make adjustments to the information received. The hypothesis that has been formulated is supported, namely that there is a difference in decision-making regarding the level of audit materiality between participants who received the information sequence (good news followed by bad news) followed by participants who received the information sequence (bad news followed by good news) in the SBS presentation pattern with negative framing. The research results are consistent with research conducted by Hanafi (2018) that a recency effect will arise between investors who receive the sequence of evidence of good news followed by bad news and investors who receive bad news followed by good news in a Step-by-step presentation pattern. The results of this research are consistent with research by Ayunanda and Utami (2015) which shows that auditors tend to revise their beliefs when they receive different information and this creates a recency effect. This research also supports research by Nisa (2017), Anggraeni and Almilia (2017), and Almilia and Supriyadi (2013) which all show that there is a recency effect on investors who receive the order of evidence of good news followed by bad news compared to bad news followed by good news in the Step by Step presentation pattern.

The practical implication of hypothesis 2 from a psychological perspective is that external auditors have cognitive limitations in remembering the information that has been presented to provide a decision on the level of audit materiality regarding financial statement misstatements that are material or very immaterial. The auditor's materiality decision-making greatly influences the audit report that will be issued by the auditor as material for decision-making for stakeholders so the auditor must be careful, careful, and precise in determining whether the audit findings/information received is materially misstated or not. Based on the research results, an external auditor is more likely to consider the information received at the end as material for consideration in making decisions about audit materiality levels because of the limited memory each individual has so that not all of the information presented as audit findings can be remembered in its entirety by the auditor.

This research also examined whether the order of information, type of information, and framing effect filled in by participants affected the final judgment. Hypothesis 3 in this study examines whether there is a difference in decision-making regarding audit materiality levels between participants who receive good news information followed by bad news information compared to participants who receive bad news information followed by good news information in the end of sequence information presentation pattern with positive framing. Hypothesis 4 in this study examines whether there is a difference in decision-making on the level of audit materiality between participants who receive good news information followed by bad news information compared to participants who receive bad news information followed by good news information at the End of Sequence information presentation pattern with negative framing.

The results of hypothesis 3 show No order effect. The no-order effect occurs because when participants are given information as much as 20 pieces of information that are presented in their entirety (simultaneously), participants will tend to provide more objective assessments. After all, participants use all the information provided to make decisions, and participants have more opportunities to review objectively. without being influenced by a different order of evidence, so there is no difference. This discussion concludes that the hypothesis that has been formulated is not supported because there is no difference in decision-making regarding the level of audit materiality between participants who received different information sequences in the EOS presentation pattern with positive framing.

These results support research conducted by Almilia and Supriyadi (2013) that there was no difference in investment decision-making between participants who received the information sequence of good news followed by bad news compared to participants who received the information sequence of bad news followed by good news with an end of sequence presentation pattern. This research also supports research conducted by Nisa (2017) that a no-order effect will arise between investors who receive good news followed by bad news and investors who receive bad news followed by good news in an end-of-sequence disclosure pattern. The same results were found in the research of Anggraeni and Almilia (2017) and Almilia et al. (2013) where there was no order effect on end-of-sequence or simultaneous presentation patterns with long information series. This research also supports research conducted by Almilia et al. (2020) and Hanafi (2018) which showed that there was no sequence effect on the final investment decision between participants who received good news followed by bad news compared to bad news followed by good news when the presentation pattern was end of sequence.

The practical implications of hypothesis 3, on the psychological side, are if the External Auditor has cognitive limitations in remembering the information that has been presented to provide a decision on the level of audit materiality from financial statement misstatements that are material or very immaterial. The auditor's materiality decision-making greatly influences the audit report that will be issued by the auditor as material for decision-making for stakeholders so the auditor must be careful, careful, and precise in determining whether the audit findings/information received is materially misstated or not. Based on the research results, an external auditor will not experience this sequence effect because the auditor can review all the information received at that time, so the auditor does not need to make decision adjustments. The order of evidence with positive framing does not influence the auditor's decision-making on the EOS presentation pattern.

The results of hypothesis 4 show that there is a No-order effect. No order effect occurs because when participants are given information as much as 20 pieces of information that are presented in their entirety (simultaneously), participants are more likely to provide a more objective assessment as a consideration for decision-making. After all, participants use all the information provided for decision making and participants have more opportunities to carry out an objective review without being influenced by different orders of evidence, so that there are no differences. Hypothesis 4 which has been formulated is not supported because there is no difference in decision-making regarding the level of audit materiality between participants who received the order of information (good news followed by bad news) followed by participants who received the order of information (bad news followed by good news) in the EOS presentation pattern with negative framing.

These results support research conducted by Almilia and Supriyadi (2013) that there was no difference in investment decision-making between participants who received information sequence of good news followed by bad news compared to participants who received information sequence of bad news followed by good news with an end of sequence presentation pattern. This research also supports research conducted by Nisa (2017) that a no-

order effect will arise between investors who receive good news followed by bad news and investors who receive bad news followed by good news in an end-of-sequence disclosure pattern. The same results were found in the research of Anggraeni and Almilia (2017) and Almilia et al. (2020) where there was no order effect on end-of-sequence or simultaneous presentation patterns with long information series. This research also supports research conducted by Almilia et al. (2020) & Hanafi (2018) which showed that there was no sequence effect on the final investment decision between participants who received good news followed by bad news compared to bad news followed by good news when the presentation pattern was end of sequence.

The practical implications of hypothesis 4 are based on research results, if seen from a psychological perspective, the External Auditor has cognitive limitations in remembering the information that has been presented to provide a decision on the level of audit materiality from financial report misstatements that are material or very immaterial. The auditor's materiality decision-making greatly influences the audit report that will be issued by the auditor as material for decision-making for stakeholders so the auditor must be careful, careful, and precise in determining whether the audit findings/information received is materially misstated or not.

Conclusion

The conclusion that can be drawn from the results of this study is that the order of evidence and the framing effect can influence the auditor in making decisions on the level of audit materiality, this is because there are significant differences between participants who receive information in the order of good news-positive frames and good news-negative frames compared to participants who received information in the order of bad news-negative frame and bad news-positive frame with SbS presentation pattern. Second, the order of evidence and the framing effect can influence the auditor in making decisions on the level of audit materiality, this is because there is a significant difference between participants who receive information with good news-negative news frames and good news-positive frames compared to participants who receive information in bad order. news-positive frame and bad news-negative frame with SbS presentation pattern. Third, the order of evidence and the framing effect cannot influence the auditor's decision in making an audit decision on the materiality level, this is because there is no difference between participants who receive information in the order of good news-positive frames and good news-negative frames compared to participants who receive information in the order of bad news-negative frame and bad news-positive frame with EOS presentation pattern. Fourth, the order of evidence and the framing effect cannot influence the auditor's decision in making an audit decision, this is because there is no difference between participants who receive information in the order of good news-negative frames and good news-positive frames compared to participants who receive information in the order of bad news-positive frame and bad news-negative frame with EOS presentation pattern.

This study provides an overview of how the external audit process in making decisions on the level of audit materiality from audit evidence findings from financial statement misstatements experiencing material or very immaterial misstatements by the External Auditor can be influenced by the order of information obtained during the audit process, presentation patterns information obtained, until the framing of the information obtained. The auditor's materiality decision-making greatly influences the audit report to be issued by the auditor as decision-making material for stakeholders so the auditor must carefully, carefully, and precisely determine whether the audit findings/information received is materially misstated or not.

This study has several limitations, which will be described as follows: Firstly, during the research activity, some students were constrained by network and device issues in their respective locations. Secondly, on the day of the experiment, several participants encountered signal and internet connection problems, leading to the automatic closure of the link. Consequently, the experimental team provided instructions to either reopen the link from the beginning or allow additional time for internet connection stabilization.

Based on several obstacles, the following suggestions can be made to enhance the development of this research: Firstly, it's crucial to carefully select the day and time of the research to ensure all participants can adhere to the specified schedule promptly. Secondly, periodic reminders should be sent to participants to ensure timely completion of the instruments. Additionally, it is advisable to provide participants with clear specifications regarding device and network conditions necessary for participation prior to implementation.

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