



Cultural Implications on Chinese Accounting Students' Professional Skepticism

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Abstract

The Center for Audit Quality suggests that auditors who fail to use professional judgment in their engagements risk fraudulent financial statement reporting, which has been blamed for lost of billions of US dollars by investors in Chinese companies listed on the US stock markets. We investigate the cultural influences on auditor's skepticism of university accounting students in China to identify opportunities for training them to be more professional in the exercise of their judgments before they enter the auditing profession. The dominant determinate of China's national culture is interpersonal relationships (guanxi). Search for knowledge, autonomy, suspension of judgment and questioning mind are personal traits indicative of a skeptical mindset. We found that Guanxi Beliefs are positively associated with search for knowledge and suspension of judgment, but not the other traits. Interestingly, Guanxi Behaviors were not significantly associated with any of those traits. The value of our findings is guidance on how future Chinese auditors can be more skeptical through education that encourages interactivity so as to mitigate the cultural effects of guanxi.

Keywords: audit, China, Chinese accounting students, professional judgment, professional skepticism, audit independence, cultural values, guanxi beliefs, guanxi behaviors

Introduction

The macro issue- fraudulent financial statements prepared by Chinese auditors

Since 2010, investors who have traded in shares of Chinese companies listed on U.S. stock exchanges have lost billions of U.S. dollars due to accounting scandals (Aubin and Lynch, 2013).

As a consequence of these scandals, U.S. regulators have requested access to audit documents of U.S. publicly listed Chinese companies but Chinese authorities prohibit the CPAs in China from producing the documents due to the alleged violation of Chinese secrecy laws. In addition, the Chinese government terminated the public access of data on public companies at the State Administration of Industry and Commerce (SAIC) website in 2012. The government policies have an impact on auditor's mindset. Finally, after a two-year stand-off, a nonbinding deal was announced on May 24, 2013, opening the way to probing bungled audits. Under the deal, U.S. enforcement actions are brought against auditors of U.S. listed Chinese companies suspected of accounting frauds, not against the fraudulent companies themselves (Aubin and Lynch, 2013).

The rationale for our research is to investigate some possible solutions to the broader issue of how to inhibit Chinese auditors from preparing fraudulent financial statements

Understanding cultural influences is the first step toward solving the problem

What are the root causes of these scandals? Some studies have concluded that this is due to the causal relationship between Chinese collectivist cultural values and the skeptical audit mindset (Hurtt, Brown-Liburd, Earley, and Krishnamoorth, 2013; Au and Wong, 2000). Nolder and Riley (2014, 149) summarize their review of audit literature on cross-cultural conflict decisions and concluded that "persons in collectivist countries focus more on relationships, while persons in individualist countries focus more on personal goals". These results suggest collectivists are more likely to acquiesce to client pressure and questionable supervisor demands which lead to a lack of a skeptical mindset. Since not acquiescing to such demands would result in stress and danger to social respect, a collectivist person generally would submit to such demands (*see* Sohail and Chaudhary, 2015). Furthermore, the core values of the Chinese are to act for the common good of the collective society, and to deal with each other based on mutual respect and trust, so that close relationships (otherwise known as "guanxi") often develop between Chinese auditors and their clients resulting in impairment of independence and ignoring of professional skepticism.

Confronting the problem at an early stage

Many researchers approach the problem by suggesting training for audit assistants, but according to Hurtt, et al. (2013), skepticism training on-the-job may be ineffective since the training is heavily affected by demands of supervisors. The supervisors themselves are under the pressure of clients, and that pressure is then communicated formally and/or informally to the audit staff (*see* Conrad, 2014).

Different from the other researchers, we tackle the problem from the cradle. Accounting students are often used as surrogates for practicing accountants in accounting judgment literature (Hu, Chand, and Evans, 2013), because they likely will be the future auditors. We propose to investigate the predisposition for skepticism of Chinese accounting students before they are faced with the pressures of an actual audit engagement. We do this from a cultural perspective in order to discover clues on how to train them for greater skepticism.

Significance of our research

Our contribution is to the limited existing research on the influence of individual cultural differences on auditor's professional skepticism (Nelson, 2009; Hurtt et al., 2013; Hurtt, 2010).

Furthermore, our contribution is significant in that we focus on Chinese accounting students (rather than waiting until later when they become audit assistants) to provide insight to educators and audit firms as to how to mentor and train these new entrants on the professional skepticism needed to safeguard independence and avoid disastrous financial wrongdoing. Our further contribution is a professional skepticism theoretical framework (see Figure 1 below) to investigate the effect of relationships (*guanxi*) in China on professional skepticism. For the indicators of predisposition for professional skepticism, we used four personal traits identified by Hurtt (2010): search for knowledge; autonomy; suspension of judgment; and questioning mind.

2. Theoretical Framework

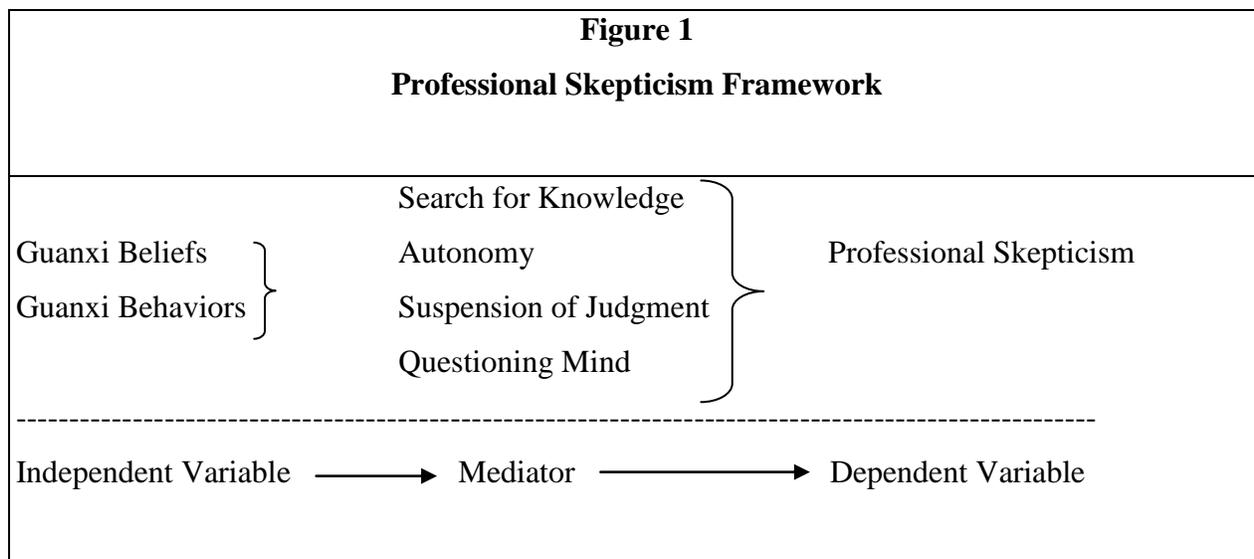
2.1 Guanxi as an internal factor that influences professional judgment

Auditors often make professional judgments when evaluating the quality and appropriateness of audit evidences, when making estimations, and when deciding between options (Raznilla, Chevalier, Hermann, Glover, and Prawitt, 2010). Raznilla et al. (2010) developed a professional judgment framework which identifies mindset, consultation, influences, biases, reflection, coaching, and knowledge of professionals as components. Furthermore, there are external factors (time pressure, limited resources and client, regulatory, industry) and internal factors (judgment traps, judgment shortcuts and self-interest) in the environment that affects professional judgment. Particularly, self-interest can result in systematic and predictable bias and lead to lower quality judgment. In our study, we extend the internal factors to include a core aspect of Chinese culture (relationships, otherwise known as *guanxi*) that influences the professional judgment of Chinese auditors.

2.2 The relationship between professional judgment and skepticism

There is a relationship between professional judgment and professional skepticism. The Public Company Accounting Oversight Board (PCAOB) found that deficiencies in audit quality of major audit firms were attributable to a lack of professional judgment when performing audit tests, and suggested that skepticism applied to professional judgment would improve auditor's quality (PCAOB, 2010). Thus, professional skepticism is an important attribute for auditors and a requirement specified under the Statement of Auditing Standards (PCAOB, 2006, AU sec. 316). However, there is no clear definition of professional skepticism (Nelson, 2009). It has been variously described in studies as being: "opposite of trust" (Choo and Tan, 2000); "presumptive doubt" (Nelson, 2009); "pursuing doubt with a questioning mind" (Hurtt, 2010); and "holding a neutral position" (Statement of Auditing Standards No. 1; Statement of Auditing Standards No. 109). Notwithstanding that there are various definitions of professional skepticism, its components can be identified and measured (Hurtt, 2010).

For our study, as illustrated in Figure 1, we establish a theoretical framework for measuring the predisposition of Chinese accounting students towards professional skepticism using four personal traits indicative of such skepticism identified by Hurtt (2010): search for knowledge; autonomy; suspension of judgment; and questioning mind. Following on the suggestion of Nolder and Riley (2014) that the importance of preserving relationships in collectivist societies (such as China) is a major impediment to skeptical behavior, *guanxi* is the independent variable for our investigation.



3. Hypotheses Development

3.1 Professional skepticism and its measurement

To improve professional judgment for decision making, the auditor must have a predisposition for skepticism. According to Hurtt (2010), to make a skeptical judgment, an individual must have a skeptical mind. To have a skeptical mind, an individual must possess personal traits that make him skeptically inclined. Because skepticism in general, and professional skepticism in particular, has been defined in a variety of ways, Hurtt (2010) undertook an intensive review of audit, psychology, philosophy, and consumer behavior research to ascertain the major components of skepticism. Hurtt (2010) concluded that traits that indicate a skeptical mind as a precursor to professional skepticism are when an individual: (i) has a questioning mind to question the validity of collected evidence, (ii) suspends judgment until obtaining appropriate level of evidence on which to base a conclusion, and to avoid bias traps; (iii) searches for knowledge out of curiosity or interest to reduce the uncertainty; (iv) seeks interpersonal understanding about what motivates or incentivizes a person to act in certain ways; (v) has self-esteem characterized by belief in self-worth and ability to make one's own opinion; and (vi) exercises autonomy in making decisions without being affected by any internal and external influences (Hurtt, 2010). The Center for Audit Quality (CAQ, 2010) has adopted the Hurtt's characteristics of professional skepticism in their report on Detering and Detecting Financial Reporting Fraud.

According to Hurtt (2010), professional skepticism is an individual characteristic derived not only from personal traits (Trait Skepticism), but also from a state provoked by a temporary situation (State Skepticism). Trait Skepticism is relatively stable in a person, and is shaped by traditional cultural values (Patel, Harrison, and McKinnon, 2002), which, in our study, we equate to guanxi. In contrast, the temporary environment that impacts the auditor's skepticism (State Skepticism) will influence his skeptical mindset. For China, we posit that temporary state is the phenomenal speed at which China has transformed herself into a socialist market economy. That rapid transformation has compelled audit firms, who previously relied on the government for financial resources, to resort to guanxi as a means to obtain and maintain its business. This type

of behavior brought about by the intense competition for business, of course, results in not applying a skeptical mind to audits.

Our study is focused on Trait Skepticism to establish a base line for understanding how strong the personal traits of guanxi is for accounting students before they are subjected to the intense competition. This understanding should aid educators and auditing firms in preparing the students to resist demands from clients.

3.2 Guanxi Beliefs and Guanxi Behaviors – Core Personal Traits and Cultural Values

Background

China has been criticized for accounting scandals which were blamed on lack of independence of her auditors. That independence and objectivity requires the performance of audits with an appropriate degree of skepticism, which is very much influenced by an auditor's personal traits and values. Personal traits have an effect on how a person makes decisions (Hunt and Vitell, 1986, 1993; Hurtt, 2010). The foundation of personal traits is cultural values attained from the society in which one has been raised and educated (Roxas and Stoneback, 1997; McCrae, Costa, and Yik, 1996). Many studies conclude that cultural values influence accountants' professional judgment (Hu, Chand, and Evans, 2013). Culture is a relatively stable characteristic of the Chinese people and establishes their personal traits and the degree to which they may exercise skepticism when confronted with situations. Chinese cultural values, that have evolved over several thousand years of history and tradition strongly influenced by Confucian teachings, are underpinned by the principle of interpersonal relationships (guanxi) (Fleming, Chow, and Su, 2010; Patel et al., 2002). In the case of China, that culture advocates guanxi (relationships) as being vitally important.

Confucius teaches that moral standards underpinning guanxi takes priority over man-made rules and laws (Kwock, James, and Tsui, 2013; Zhang, 2006). Long term relationships must be cultivated and maintained through reciprocity of feelings and material support (Yang, 2001a, 2001b; Su and Littlefield, 2001), and this leads to conflict avoidance. Therefore, Chinese are more likely to keep silent even if they have a view that is different from that held by the majority or higher authorities. Consequently, it would appear that guanxi can be an obstacle to professional skepticism since it is above the law and involves reciprocal giving of material benefits to maintain feelings. However, there are two different kinds of guanxi; one kind is socially accepted while the other kind is not.

Favor-Seeking Guanxi (culturally based and socially acceptable)
vs. Rent-Seeking Guanxi (Instrumental and market based)

Generally, guanxi can be divided into two categories. To determine how guanxi may influence professional skepticism, it is instructive to make a distinction between what Hwang (1987) classifies as socio-affective guanxi (which is emotional oriented from family-like ties seeking love and belongingness), and instrumental guanxi (which is market oriented and where the motivation is for satisfaction of material needs). In other words, guanxi entails reciprocity of feelings and material needs (Yang, 2001a, 2001b). This differentiation is also made by Su and Littlefield (2001), who referred to social-affective guanxi as "favor-seeking guanxi" and instrumental guanxi as "rent-seeking guanxi". Favor-seeking guanxi is entrenched into the culture of China through the teachings of Confucius (Su, Sirgy, and Littlefield, 2003). It is emotional based, stressing the importance of genuine feelings demonstrating a desire for a long term relationship (Lovett, Simmons, and Kali, 1999; Fan, 2002). The foundations for that long term relationship is mutual respect and trust established through mianzi (giving "face", meaning never doing anything that will result in disrespect to the other party) and renqing (social or

humanized obligations reciprocated to the other party) (Luo, 1997; Su and Littlefield, 2001). The major objective of favor-seeking guanxi is to facilitate harmonious bonds (Luo, 1997). It serves as the foundation for trust and respect necessary for maintaining long lasting emotional-based relationships (Chan, Cheng, and Szeto, 2002). Favor-seeking guanxi improves business performance and growth through efficiencies and cost advantages (Fan, Woodbine, and Scully, 2012). It facilitates business activities by utilizing social contracts and interpersonal exchanges of resources in a collectivist society with the purpose of sharing scarce resources (Su et al., 2003). This type of guanxi is generally perceived as being socially acceptable (Chan et al., 2002) and is predicated on correct behavior and vigilance in order to maintain the long-term relationships necessary for social harmony (Luo, 1997; Su and Littlefield, 2001; Choo and Tan, 2000).

In contrast, rent-seeking guanxi moderates the results of favor-seeking guanxi. Rent-seeking guanxi is instrumental in that it is market oriented (not emotional oriented, as is with the case of favor-seeking guanxi) for the purpose of obtaining material benefits (Hwang, 1987). Its prominence has risen along with China's emergence into a socialist market economy (Su et al., 2003). Rent-seeking guanxi is a product of China's political and economic systems (Seligman, 1999; Steidlmeier, 1999; Fan, 2002). It is a temporary state caused by a current need for protection against competition and need for financial resources (previously provided by the government) in the highly competitive socialist market economy of China that has evolved ahead of China's political and economic systems (Seligman, 1999; Steidlmeier, 1999; Fan, 2002; Su et al., 2003). Rent-seeking guanxi is akin to economic rent in that individuals obtain extra returns due to their positional advantages (Bebchuk and Fried, 2004). In the context of China, auditors who use rent-seeking guanxi are positioning themselves for advantages in the competitive marketplace by prioritizing the importance of guanxi over skepticism. To understand the competitive marketplace of the Chinese auditors, it is helpful to put it into the context of China's phenomenal economic growth. In 1978, when China started economic reform, the real per capita GDP was only one-fortieth of the U.S. level, making China one of the poorest countries in the world. Since then, growing at an average rate exceeding 8 per cent per annum, China is now the second-largest economy in the world with real per capital GDP of almost one-fifth that of the U.S. (Zhu, 2012). China's political and legal institutions have not yet been able to keep pace with its fast growing economy. In the past, most organizations were state-owned, and therefore financial resources and protection were from the government. As China evolved into a socialist market economy, private enterprises began to play a major role and independent auditors were needed (Seligman, 1999; Steidlmeier, 1999; Fan, 2002). As the need for independent auditors grew, in 1997 the Chinese Institute of Certified Public Accountants (CICPA) began a program to disaffiliate accounting and audit firms from the government (Yang, Tang, Kilgore, and Hong, 2001). The disaffiliation served the purpose of achieving independence of the firms, but being private meant that the firms lost the financial support of the government. Consequently, executives and staff of private firms resorted to relying on guanxi (relationships) for business connections and protection against competition (Fan et al., 2012; Xin and Pearce, 1996). Guanxi was instrumental for survival (Su et al., 2003). Unreciprocated gifts and favors were given to obtain and keep clients. This went beyond traditional guanxi behavior. It moderated what was otherwise acceptable behavior (favor-seeking guanxi aimed at achieving social harmony) into unacceptable behavior (rent-seeking guanxi for selfish gain at the expensive of the collective society) (Fan et al., 2012). As Chinese accounting and audit firms competed for clients, many selfishly sought to secure their positions through not questioning transactions and representations of clients. Professional skepticism was ignored in order to build social capital. This type of rent-

seeking guanxi undermines the independence of firms (Fan, 2002; Su et al., 2003). In contrast to favor-seeking guanxi, rent-seeking guanxi is more oriented towards building social capital at the expense of others in a competitive world (Su and Littlefield, 2001). Rent-seeking guanxi is motivated by self-interest and has become synonymous with corruption, bribery and back-door deals (Fan, 2002; Su et al., 2003). It results in social collusion based on power exchanges in a hybrid Chinese socialist market (Su et al., 2003). It is opposite to professional skepticism in that there is a willingness to overlook deficiencies in order to gain business.

The Focus of our Study- Favor-seeking Guanxi sub-categorized into Guanxi Beliefs and Guanxi Behaviors

Because the purpose of our study is to investigate the predisposition of accounting students for skepticism before they enter the business world, we only examine the students' traditional and more stable side of guanxi (favor-seeking guanxi), not the competitive side of guanxi (rent-seeking guanxi) that is induced by the environment. To do so, we adapted the favor-seeking scale of Ang and Leong (2000) by reorganizing the questions into two sub-constructs to measure Guanxi Beliefs and Guanxi Behaviors. Having two constructs provide more insight into the predisposition of the students to guide educators and mentors on how to improve the skepticism of the students. As for the measures of professional skepticism, we adopt personal traits from Hurtt (2010): search for knowledge; suspension of judgment; autonomy; and questioning mind. Based on the foregoing, we predict the following:

Hypothesis 1(a), (b), (c) and (d): Guanxi Beliefs of the accounting students in China are positively associated with 1(a) search for knowledge, 1(b) autonomy, 1(c) suspension of judgment, and 1(d) questioning mind.

Hypothesis 2(a), (b), (c) and (d): Guanxi Behaviors of the accounting students in China are positively associated with 2(a) search for knowledge, 2(b) autonomy, 2(c) suspension of judgment, and 2(d) questioning mind.

4. Research Method

4.1 Participants

142 accounting fourth year students at a university in Southern China participated in the study. Using the fourth (final) year students as proxies for new audit staff is consistent with prior research (Fleming et al., 2010; Curtis, Conover, and Chui, 2012). However, because some of the surveys were incomplete, there were only 127 usable surveys. The university uses English as a medium of instruction, and admits students from throughout China. All surveyed students have taken comparable courses in auditing and none of them has any real-world audit experience

4.2 Procedure

A survey methodology is used in this study; the students completed a questionnaire that measured guanxi and skepticism. We used four constructs from the Professional Skepticism scale (Hurtt, 2010), to measure personal traits that are the foundations of skepticism and a skeptical mind. To measurement guanxi, we utilized the guanxi scale of Ang and Leong (2000).

5. Statistical Analysis

The survey collected information on gender, age and origins of the respondents. Table 1 below details the basic information of the respondents. Female students made up of seventy-three percent of the sample and the students are between 18 and 24 years old.

Table 1: Demographic Profile of the Respondents			
		Sample Size	%
Gender	Male	34	27
	Female	93	73
	Total	127	100
Age (years)	18	1	1
	20	8	6
	21	58	46
	22	56	44
	23	3	2
	24	1	1
	Total	127	100
Region	North	4	3
	East	15	12
	South	80	63
	West	18	14
	Central	10	8
	Total	127	100

Using SPSS, a factor analysis was performed on the 20 dependent variable skepticism questions. The extraction method was principal components analysis and the rotation method was VARIMAX. Using a cutoff of 1 for the eigenvalues four components emerged from the data. An examination of the factor loadings indicated problems with the scales including poor scale development, cross loadings and low factor loadings. 5 questions were deleted. Using SPSS, a factor analysis was performed on the 10 independent variable guanxi question. The extraction method was principal components analysis and the rotation method was VARIMAX. Using a cutoff of 1 for the eigenvalues 2 components emerged from the data. An examination of the factor loadings indicated problems with cross loadings and low factor loadings and 3 questions were deleted. The resulting factors were labeled Guanxi Beliefs and Guanxi Behaviors. Table 2 below shows the factor loading for the data.

Table 2				
Factor Analysis of Skepticism Scales				
Skepticism Scale	Factor Loadings			
	1	2	3	4
Search for Knowledge (F1)				
I enjoy learning.	.89			
I think that learning is exciting.	.86			
I enjoy trying to determine if what I read or hear is true.	.78			
Discovering new information is fun.	.63			
Suspension of Judgment (F2)				
I do not like to decide until I've looked at all of the readily available information.		.78		
I wait to decide on issues until I can get more information.		.72		
I dislike having to make decisions quickly.		.69		
I take my time when making decisions.		.63		
Autonomy (F3)				
I tend to immediately accept what other people tell me. (R)			.75	
It is easy for other people to convince me. (R)			.69	
I usually accept things I see, read, or hear at face value. (R)			.67	
Most often I agree with what others in my group think. (R)			.63	
Questioning Mind (F4)				
I often reject statements unless I have proof that they are true.				.84
I frequently question things that I see or hear.				.79
My friends tell me that I frequently question things that I see or hear.				.56
Cronbach's Alphas	.84	.69	.65	.66
R = Reverse Coded				
Source: Adopted from Hurtt (2010).				

5.1 Dependent Variables

Seeking Knowledge Skepticism

Search for knowledge Skepticism was measured using four questions from Hurtt (2010). A 6-point Likert scale was used, with 1 being “Strongly Disagree” to 7 being “Strongly Agree”. The average of the questions was used and higher values indicate greater knowledge skepticism.

Autonomy Skepticism

Autonomy Skepticism was measured using four questions from Hurtt (2010). A 6-point Likert scale was used, with 1 being “Strongly Disagree” to 6 being “Strongly Agree”. The questions were reverse coded. The average of the questions was used and higher values indicate greater Autonomy Skepticism.

Suspension of Judgment Skepticism

Suspension of Judgment Skepticism was measured using four questions from Hurtt (2010). A 6-point Likert scale was used, with 1 being “Strongly Disagree” to 6 being “Strongly Agree”. The average of the questions was used and higher values indicate greater Suspension of Judgment Skepticism.

Questioning Mind Skepticism

Questioning Mind Skepticism was measured using three questions from Hurtt (2010). A 6-point Likert scale was used, with 1 being “Strongly Disagree” to 6 being “Strongly Agree”. The average of the questions was used and higher values indicate greater Questioning Mind Skepticism.

5.2 Independent Variables

Guanxi Beliefs were measured using 4 questions from Ang and Leong (2000). A 6-point Likert scale was used, with 1 being “Strongly Disagree” to 7 being “Strongly Agree”. The average of the questions was used and higher values indicate greater Guanxi Beliefs.

Guanxi Behaviors were measured using 3 questions from Ang and Leong (2000). A 6-point Likert scale was used, with 1 being “Strongly Disagree” to 7 being “Strongly Agree”. The average of the questions was used and higher values indicate greater agreement with Guanxi Behaviors.

Table 3 below reports the means, standard deviations and Cronbach’s alphas of data.

	Factor Loadings	
	1	2
Guanxi Beliefs (F1)		
In business, it is important to maintain a good network of relationships.	.91	
Doing business involves knowing the right people.	.87	
Developing the right contacts helps in the smooth running of a business	.84	
Gift giving is an important aspect in business success.	.65	
Guanxi Behaviors (F2)		
Returning favor for favor is part of doing business.		.85
Frequent cooperation reduces problems in business relationships.		.85
Maintaining good relationships is the best way to enhance business.		.65
Cronbach’s Alphas	.84	.71
Source: Adapted from favor-seeking scale of Ang and Leong (2000).		

5.3 Results of Statistical Analysis

Using SPSS four regression models were created. The regression models used Guanxi Beliefs and Guanxi Behaviors as the independent variables and the four skepticism measures as the dependent variables. A summary of the regression results are shown in Table 4 below.

Table 4 Standardized Beta Coefficients				
	Model 1 Search for Knowledge	Model 2 Suspension of Judgment	Model 3 Autonomy	Model 4 Questioning Mind
Control Variables				
Gender	.07	-.09	-.14	-.26**
Age	.12	-.20*	-.04	.10
Central	.08	.28*	.01	.00
North	.08	.20*	-.07	.05
South	.05	.28	.18	.02
West	.05	.14	.09	-.01
Independent Variables				
Guanxi Beliefs	.45***	.29**	-.11	.17
Guanxi Behaviors	-.12	.00	-.12	.01
Adjusted R Squared	.16	.11	.04	.04
Model F Value	4.08***	2.84**	1.71	1.71
N = 127 , * p < .05, ** p < .01, *** p < .001				

Table 5

Table 5 summarizes the variable means, standard deviations and Correlations.

Variable Means, Std. Dev. , Correlations															
	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1	Gender	1.73	.45	NA											
2	Age	21.4	.75	-.08	NA										
3	Central China	.12	.32	.11	-.01	NA									
4	North China	.03	.18	.01	.02	-.07	NA								
5	South China	.63	.49	-.21*	.17	-.48**	-.24**	NA							
6	West China	.14	.35	.14	-.05	-.15	-.07	-.53**	NA						
7	Knowledge	4.37	.90	.13	.07	-.00	.13	-.06	.05	(.84)					
8	Suspension	4.30	.75	-.04	-.18*	.07	.14	-.02	-.04	.24**	(.69)				
9	Autonomy	3.50	.77	-.17*	.01	-.09	-.12	.18*	-.02	-.16	-.07	(.65)			
10	Questioning	3.72	.81	-.25**	.11	-.05	.06	.07	-.05	.33**	.29**	-.06	(.66)		
11	Guanxi Beliefs	4.90	.77	.12	-.12	-.10	.13	-.07	.08	.42**	.29**	-.17	.13	(.84)	
12	Guanxi Behaviors	3.70	.80	-.01	-.00	-.02	-.10	.00	.09	-.03	.04	-.16	.05	.22*	(.71)

N = 127, * p < .05, ** p < .01, ***p<.001

The individual hypotheses and results are discussed below.

An examination of the model F values showed that overall models 3 and 4 were not significant. Therefore we conclude that Guanxi Beliefs and Guanxi Behaviors are not significant predictors of autonomy and questioning mind. Hypotheses 1 and 2 are discussed below in greater detail.

Hypothesis 1 predicts that the Guanxi Beliefs of the accounting students in China are positively associated 1(a) search for knowledge, 1(b) autonomy, 1(c) suspension of judgment, and 1(d) questioning mind. Hypothesis 1 was partially supported. The Guanxi Beliefs of the students in China are positively associated with 1(a) search for knowledge ($\beta = .45, \rho = 0.000$) and 1(c) suspension of judgment ($\beta = .29, \rho = 0.002$). Guanxi Beliefs are not statistically significant predictors of 1(b) autonomy, or 1(d) questioning mind.

Hypothesis 2 predicts that the Guanxi Behaviors of the accounting students in China are positively associated 2(a) search for knowledge, 2(b) autonomy, 2(c) suspension of judgment, and 1(d) questioning mind. Hypothesis 2 is not supported. Guanxi Behaviors are not statistically significant predictors of 2(a) search for knowledge, 2(b) autonomy, 2(c) suspension of judgment or 2(d) questioning mind.

6. Conclusions, Discussion, and Contributions

Investors are reluctant to make investment decisions on Chinese entities by relying on financial statements prepared by Chinese auditors. They are concerned about the independence and objectivity of such auditors. The root of the problem appears to be the personal traits of auditors influenced by their cultural upbringing that places priority on collective behavior characterized by strong guanxi (relationships) – all of which has been handed down through thousands of years of history and tradition from Confucian teachings. Even though guanxi is entrenched into the sole of Chinese people, Chinese auditors still can be objective if they can assimilate international audit practices and recognize guanxi biases that may obstruct their exercising professional skepticism (Kwock, James, and Tsui, 2014).

We surveyed accounting students at a university in Southern China to explore the depth of the impact of their cultural values on their ability to be skeptical. The survey was conducted through a questionnaire constructed to measure guanxi and professional skepticism. In order to assess the predisposition of Chinese accounting students towards professional skepticism, we separately examined their Guanxi Beliefs and their Guanxi Behaviors.

The results of our exploratory study are that Guanxi Beliefs have a strong positive association with search for knowledge and suspension of judgment, but are insignificant when measured against autonomy and questioning mind. We attribute these results to the thousands of years of Chinese tradition that advocates academic excellence through attaining knowledge, but generally through rote learning and not questioning teachers since it would be disrespectful to do so (Thomas and Kelley, 2011; Ho, 2010).

As for Guanxi Behaviors, our results found that such behaviors were not significantly associated with search for knowledge, autonomy, suspension of judgment, nor questioning mind. While there is a cultural belief in the importance of academic excellence, China is a high power-distance country, meaning the Chinese accept the authority and decisions of superiors (Hofstede and Minkov, 2010; Hofstede, 1980). This could explain the insignificant results for search for knowledge, autonomy, suspension of judgment, and questioning mind at the time of actual behaviors when confronted by superiors.

The value of our findings is guidance on how future Chinese auditors can be more skeptical through education that encourages empowerment and interactivity so as to mitigate the cultural effects of guanxi as moderated by power-distance and rote learning behaviors. We also contribute a professional skepticism framework for extending our study into other areas of China, and for subsequent follow up with accounting students after they enter into the real world of auditing to ascertain whether or not training based upon our findings do indeed improve their professional skepticism.

7. Limitations and Further Research

There are obvious limitations to our study. The small sample size and the population may not be representative of China. China is a large country, and generalization of the strength of her cultural values throughout the country may not be sufficiently accurate. Our survey was skewed towards students from Southern China, so that more specific investigation into other areas of China would be needed to validate the influence of regional differences on their skepticism.

Furthermore, in our study, we only investigated professional skepticism as affected by guanxi, because we believe it to be the primary determinate of China's national culture. Hofstede (2010) lists power-distance, uncertainty avoidance and masculinity/femininity in his taxonomy of cultural identity. These cultural values listed by Hofstede (2010) are underpinned by guanxi. With respect to the masculinity/femininity dimensions, even though we surveyed female and male students, the participants were mostly female so that we could not support any conclusions with respect to gender. Thus, gender as well as power-distance and uncertainty avoidance may also have a profound effect on professional skepticism. We leave these aspects of China's cultural values to future research.

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