APPENDIX – I

QUESTIONNAIRE

(A) BIO DATA

Please put a right mark in appropriate box. (√)

1- Name...

2- Sex  male □  female □

3- Marital status  single □  married □

4- Age  less than 25 □  26-50 □  more than 51 □

5- Experiences  less than 10 years □  11-20 □  more than 21 □

6- Qualification  Bachelor □  Master □  PhD □

7- Which level of audit are you working?
   Partner □  senior auditor □  supervision □  Assistant □

8- Which level of broker-dealer are you working?
   Manager □  Expert □

9. Which level of Investment Company are you working?
   Manager □  Expert □

10. Address
   Pin:
   Phone:
   E-mail:

11. Have you ever invested in corporate sector? : Yes □  No □

12. If so, state the number of companies in which you have invested.

13. What your basic strategy of capital market security investment?
   Primary market □  Secondary market □  Both □
14. How much weight do you give to audit report while reading company report? (Please use the ranks 5,4,3,2,1 from high to low):

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<tr>
<th></th>
<th>High</th>
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</table>

15. How much importance do you give for the following items in annual reports for investment decision? (Please use the ranks 5,4,3,2,1 from high to low):

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<thead>
<tr>
<th>Item</th>
<th>High</th>
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<th>Low</th>
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</thead>
<tbody>
<tr>
<td>a) Auditor’s report</td>
<td>☐</td>
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<td>☐</td>
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<tr>
<td>b) Financial statements</td>
<td>☐</td>
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<tr>
<td>c) Company profile</td>
<td>☐</td>
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<tr>
<td>d) Directors’ profile</td>
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</tbody>
</table>

16. Have any scandal because of non audit services in Iran? Yes ☐ No ☐
Part (B): Providing NAS by Auditor in Iranian corporation

It was found that auditors believe that an auditor’s work would be used as a guideline for investment, valuation of companies and predicting the bankruptcy; whereas in recent years the same auditors have provided non-audit services. Recent collapses (Enron, world com…) caused to issue new rules (SOX) that restricted auditors from supplying certain types of non-audit services to their clients. Therefore, the investigator intends to conduct research on the effect of providing NAS by auditor in Iranian corporations.

(1) Providing of NAS and auditor independence

(A) Do independent auditors practice NAS and, if yes, which of the following items are done by them? Yes ☐ No ☐

1- Book keeping or other services related to accounting records or financial statements. ☐

2- Financial information systems design and implementation ☐

3- Appraisal or valuation services. ☐

4- Fairness opinions or contribution-in-kind reports. ☐

5- Actuarial services. ☐

6- Internal audit outsourcing services. ☐

7- Management function. ☐

8- Human resources (recruitment of executive manager). ☐

9-Broker or dealer, investment adviser or investment banking services. ☐

10-Legal services and expert services unrelated to the audit (merger, acquisition). ☐

11-Tax adviser. ☐

12- Tax returns. ☐
B Some people believe that doing the following services by auditor to the audit client (the year auditor has been responsible of auditing of that company) undermines auditor’s independence. What do you think of it? (Please tick the appropriate box which matches your view most closely as Strongly Agree (SA), Agree (A), Neuter (N), Disagree (D) and Strongly Disagree (SD) respectively).

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Statements</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Book keeping or other services related to accounting records or financial statements.</td>
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</tr>
<tr>
<td>2</td>
<td>Financial information systems design and implementation.</td>
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<tr>
<td>3</td>
<td>Appraisal or valuation services and fairness opinions or contribution-in-kind reports.</td>
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<tr>
<td>4</td>
<td>Actuarial services.</td>
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<tr>
<td>5</td>
<td>Internal audit outsourcing services.</td>
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<tr>
<td>6</td>
<td>Management function.</td>
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<tr>
<td>7</td>
<td>Human resources (recruitment of executive manager).</td>
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<tr>
<td>8</td>
<td>Broker or dealer, investment adviser or investment banking services.</td>
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<tr>
<td>9</td>
<td>Legal services and expert services unrelated to the audit (merger, acquisition).</td>
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<tr>
<td>10</td>
<td>Tax adviser</td>
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</tr>
<tr>
<td>11</td>
<td>Tax returns</td>
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</table>
(2) Statements on NAS and audit quality

<table>
<thead>
<tr>
<th>SL No.</th>
<th>Statements</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Providing of internal audit (NAS) reduces the number of hours and fees of audit.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>2</td>
<td>NAS may have helped the client to resolve problems existed before the audit.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>3</td>
<td>NAS raises the auditor’s expertise and competence.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>4</td>
<td>NAS reduces the need for subsequent restatements.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>5</td>
<td>NAS enables the auditor to form a better-founded judgment regarding the client.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>6</td>
<td>Evaluations of auditor’s knowledge about a client firm will be high in the presence of NAS.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>7</td>
<td>Provision of NAS increases the probability of problem discovery.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>8</td>
<td>High NAS fees do not affect the auditor competence.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>9</td>
<td>NAS creates a frequently communication between the audit team and management (economic dependence).</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>10</td>
<td>NAS fees are considered to yield higher profit rates than to do audit fees.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>11</td>
<td>Auditor may be reluctant to criticize the work done by their consulting division.</td>
<td>☐</td>
<td>☐</td>
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<td>12</td>
<td>Auditor may be issue a qualified opinion on the output of a system the installed for the audit client.</td>
<td>☐</td>
<td>☐</td>
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<td>13</td>
<td>The consulting nature of may NAS puts auditors in managerial roles.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>14</td>
<td>NAS creates a client advocacy role for the auditor.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>15</td>
<td>NAS associates with clean audit opinions.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>16</td>
<td>Impact of NAS on audit quality can depend on the magnitude of NAS rather than the type of NAS.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<td>17</td>
<td>Auditor receiving NAS fees is less likely to qualify his/her opinion than auditor that does not receive such fees.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>18</td>
<td>An auditor’s ability to withstand client pressure in a disagreement either NAS is present or absent.</td>
<td>☐</td>
<td>☐</td>
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<td>19</td>
<td>Concerns will be reduced on independence impairment when a separate division of the audit firm does NAS.</td>
<td>☐</td>
<td>☐</td>
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</table>
(3) Statements on audit quality and audit size

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<th>Sl. No.</th>
<th>Statements</th>
<th>SA</th>
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<tbody>
<tr>
<td>1</td>
<td>Large auditing firm supplies a higher level of auditing quality.</td>
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<td>2</td>
<td>Large auditing firm command much higher fees for large clients but not for small ones.</td>
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<td>3</td>
<td>The higher audit fees for larger firm are likely to be the result of higher audit quality.</td>
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<td>4</td>
<td>Large auditing firms is more likely to have multiple clients in the same industry</td>
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<td>5</td>
<td>Large auditing firms are more risk averse in respect of damage to their reputation from events such as public scandals and/or audit failures.</td>
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<td>6</td>
<td>Large auditing firm does not rely on revenue from a single client.</td>
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<td>7</td>
<td>Large auditing firms are more likely to detect and report material problems.</td>
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<td>8</td>
<td>Reliability of financial statement depends on auditing firm size.</td>
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<td>9</td>
<td>Large auditing firms improve the credibility of the financial statements.</td>
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<td>10</td>
<td>Larger auditing firms are less willing to acquiesce to client pressure to allow substandard reporting.</td>
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<td>11</td>
<td>Larger auditing firms are more independent.</td>
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<tr>
<td>12</td>
<td>Larger client is more likely to receive clean opinions because its represents a more important source of income for an audit firm.</td>
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<tr>
<td>13</td>
<td>Size of auditing firms is an important characteristic that reflects auditor’s independence.</td>
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<tr>
<td>14</td>
<td>Auditing firms with smaller clients are lenient and easy going in the report favorable retain clients.</td>
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<tr>
<td>15</td>
<td>Larger auditing firms tend to be stricter in issuing opinions</td>
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<tr>
<td>16</td>
<td>Larger auditing firms tend to be less dependent on a given company-client than a small one.</td>
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<tr>
<td>17</td>
<td>Large audit firm were associated with high accurate forecasts than were smaller accounting firms.</td>
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<td>Sl. No.</td>
<td>Statements</td>
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</tr>
<tr>
<td>1</td>
<td>Providing internal audit increases the probability of fraud discovery.</td>
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<tr>
<td>2</td>
<td>Providing NAS prevents corporate fraud in future.</td>
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<tr>
<td>3</td>
<td>Providing of financial information systems design and implementation makes auditors responsible for finding fraud.</td>
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<tr>
<td>4</td>
<td>Providing NAS provides additional insurance to stockholders in the event of corporate fraud.</td>
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<tr>
<td>5</td>
<td>Providing the NAS (i.e. internal audit) causes detecting the fictitious revenues.</td>
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<tr>
<td>6</td>
<td>Providing the NAS (i.e. financial information systems design and implementation) causes detecting the misclassifications.</td>
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<td>7</td>
<td>Providing NAS (i.e. internal audit) causes detecting the delayed expenditure recognition.</td>
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<tr>
<td>8</td>
<td>Provisions of NAS (i.e. internal audit) cause detect fictitious assets.</td>
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<td>9</td>
<td>Providing the NAS (i.e. internal audit) causes detecting the omitted or undervalued liabilities.</td>
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<td>10</td>
<td>Providing the NAS causes detecting the equity frauds.</td>
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<tr>
<td>11</td>
<td>Providing NAS (i.e. internal audit) causes detecting the related party transactions.</td>
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<tr>
<td>12</td>
<td>Providing NAS (i.e. internal audit) causes detecting the fictitious supporting documents.</td>
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<tr>
<td>13</td>
<td>Providing the NAS (i.e. internal audit) causes detecting the fictitious expenses.</td>
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<tr>
<td>14</td>
<td>Provisions of NAS(i.e. internal audit) cause improper disclosures related party transactions</td>
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<tr>
<td>15</td>
<td>Provisions of NAS (i.e. internal audit) cause improper disclosures external loan guarantees</td>
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<tr>
<td>16</td>
<td>Provisions of NAS (i.e. internal audit) cause improper disclosures significant contracts or events.</td>
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<tr>
<td>17</td>
<td>Provisions of NAS (i.e. financial information systems design and implementation) cause improper disclosures miscellaneous.</td>
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</tbody>
</table>
APPENDIX – II

BIBLIOGRAPHY


