The Effect of Moods on Accounting Judgment

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Abstract

This paper investigates the impact of mood on decision making by accounting professionals. Prior research suggests that different moods can impact professional judgment. Prior research has also found that mood affects auditor conservatism and dispersion on inventory valuation decisions. Our experiment with 117 accounting professionals suggests that mood impacts professional judgment but contradicts the results of prior research. Prior research has found that positive mood subjects had lower consensus and less conservative estimates of inventory valuation than neutral or negative mood subjects. We find that negative mood participants had the lowest consensus and least conservative estimates of inventory valuation.

Keywords: moods; conservatism; inventory valuation judgment; consensus

1. Introduction

Affective states (emotions, moods, evaluations) have an extended research history in the psychology and cognition literature. Affective states research has been explored by accounting researchers in studies over the last several years (e.g., Cianciand Bierstaker2009; Chung et al. 2008; Bhattacharjee and Moreno 2002; Moreno et al.2002; Kadous 2001; Kida et al. 2001). This study adds to prior research by examining how the professional judgment of experienced accounting professionals is influenced by moods. This study differs from prior studies in that the subjects are largely U.S. certified public accountants (CPAs) with over 20 years of experience who are not primarily auditors. Rokhmania (2013) used auditors in Indonesia while Cianci used mainly U.S. senior and staff auditors as subjects. Chung et al. (2008) used audit seniors from Australian accounting firms and undergraduate accounting students enrolled in an auditing course at an Australian university.

The use of experienced subjects is extremely important in that Libby (1990) found significant differences between inexperienced auditors and audit managers on performance and even more sustained differences between audit managers and auditing students. The purpose of the current study is to investigate the effect of mood states on an audit-related task when the persons performing the task are professional accountants who are not full-time auditors or students.

Mood is a feeling or a state of mind that has no relevance to the current task, whereas emotions are generally activated by the task itself. According to Seibert and Ellis (1991), people experience mood changes every day that influence performance. The authors further state that mood states are related to alterations in personal judgments. Other researchers found that mood tends to be more long-term while emotions are often the result of a specific occurrence (Adaval 2003; Gaudine and Thorne 2001). Chung et al. (2008) demonstrated that, even though moods are more general and the audit environment involves domain-specific tasks, moods affect audit judgments.

Moods may have negative or positive effects on an individual's decision making. Positive effects include increased creativity and unbiased information evaluation. Negative effects such as decreased creativity and biased information evaluation can reduce the effectiveness of decision-making (Chung et al. 2008).

The cognition and psychology literature documents the constructive effect of positive mood on decision-making (Isen et al. 1987; Isen et al. 1985). Since positive moods tend to enhance creativity in problem-solving tasks (Isen et al. 1987), auditors may make less conservative (more creative) judgments when in a positive mood and make more conservative (less creative) judgments when in a negative mood. Miner and Glomb (2009) found that individuals with pleasant moods were more efficient problem solvers and had increased cognitive flexibility. Rokhmania (2013) found that positive mood auditors make ethical judgments that are different from negative mood auditors and that neutral mood auditors make ethical judgments that differ from neutral mood auditors. Chung et al. (2008) found that auditors in a positive mood tended to make less conservative (less consensus) judgments than auditors in a negative mood.

This study builds on prior research by conducting a partial replication of the Chung et al. (2008) study by investigating the effect of moods on a group of practicing CPAs who are not primarily auditors. We examine whether CPAs in a positive-mood state exhibit lower consensus (frequently a proxy for audit judgment quality) and less conservative judgment than CPAs in a negative-mood state. The findings of this study are important to those who conduct audits, but are not primarily auditors, and to those who supervise audit personnel who only participate in the audit function on an occasional or part-time basis. Auditors, CPA firm partners, and non-auditors alike need to be aware that moods can affect audit judgments in particular as well as other professional judgments (tax, consulting, etc.).

2. Hypotheses

Affective states may be categorized broadly as emotions or moods. Emotions are directed at the source of the feeling of arousal and are more transient in nature (Chung et al. 2008). Moods, unlike emotions, tend to have a longer duration (Pelled and Xin 1999) and are not focused on the source of arousal. Moods can be transitory from one setting to another since they are longer in duration. Pelled and Xin (1999) reported that emotions could be aroused in a nontask situation and are better understood as moods when they carry over to another situation (such as a task or judgment) where they become a task-relevant effect. Since moods are longer in duration they have the ability to influence decisions. People experience moods both in general and at work (Seibert and Ellis 1991). For example, a person who is under pressure to meet a deadline may have his or her mood altered. These varying moods potentially exert influence on professional judgments and decision-making.

Moods may be characterized as affective states that are general in nature, which a decision maker brings to a task but that are not a reaction directed at a specific task (Kida et al. 2001). One way of classifying moods is to group them as to whether they involve positive, negative, or neutral feeling states (George and Jones 1997). Positive moods tend to be associated with feelings of elation, while negative moods include sadness and depression. These feelings might prompt unrelated thoughts that detract from successfully performing a required task (Seibert and Ellis 1991; Raghunathan and Pham 1999).

Several researchers (Bachrach and Jex 2000; Isen and Daubman 1984; Isen and Simmonds 1978) have found that positive mood individuals use broader categories when integrating information than negative mood individuals and arrive at more creative solutions. Isen and Daubman (1984) actually posited that positive mood individuals may be processing information in a more integrative fashion than negative mood individuals. Murray et al. (1990) found that positive mood individuals can form broader categories when focusing on similarities among exemplars than negative or neutral mood individuals. Isen et al. (1987) proposed that positive mood individuals are better at creative problem solving and seeing relatedness among information cues. Therefore, an audit requirement, such as estimating inventory value, which involves judgment after weighing evidence, is probably affected by mood states. Positive-mood individuals could have a more creative and flexible problem-solving approach (more dispersion) and arrive at a different outcome than individuals with a negative or neutral mood (less dispersion). Based on the above discussion, the following hypotheses are formulated:

H_1a: Positive-mood participants will demonstrate lower consensus on inventory values than neutral-mood participants.

H_1b: Neutral-mood participants will demonstrate lower consensus on inventory values than negative-mood participants.

H_1c: Positive-mood participants will demonstrate lower consensus on inventory values than negative-mood participants.

Judgment, as well as dispersion, is expected to be affected by mood. One reason judgment may be affected is that positive-mood individuals are more likely to retrieve positive information from memory and this positive information leads to positive evaluations (Chung et al. 2008; Clore et al. 1994; Isen et al. 1987; Forgas and Bower 1987; Isen et al. 1985). On the other hand, negative-mood individuals are more likely to retrieve negative information which leads to more negative evaluations. For example, in one study (Isen et al. 1978), positive-mood individuals rated their automobiles more favorably than neutral-mood individuals.

In addition, Schwarz and Bless (1991) and Schwarz (1990) proposed a feelings-as-information model. Their model stated that individuals may base their evaluations in a task on their feeling states. For example, Schwarz and Clore (1983) found that individuals surveyed on sunny days reported higher life satisfaction than individuals surveyed on cloudy days. The complex audit environment with its constraints and pressures is conducive to creating different mood states (Felix and Kinney 1982; Hooks and Higgs 2002).

Finally, mood maintenance theory (Isen and Simmonds 1978) states that positive-mood individuals want to maintain a positive mood while negative-mood individuals wish to improve their mood. Studies conducted by Clore et al. (1994), Isen et al. (1987), Isen et al. (1985), and Forgas and Bower (1987) concluded that individuals with a positive mood evaluate stimulus information differently than negative-mood individuals. According to Chung et al. (2008) positive-mood auditors are, therefore, more likely to make less conservative judgments while their negative- mood counterparts are more likely to make more conservative judgments. Accordingly, the following hypotheses are formulated:

H_2a: Positive-mood participants will be more likely to sign off on less conservative inventory values than neutral-mood participants.

H_2b: Neutral-mood participants will be more likely to sign off on less conservative inventory values than negative-mood participants.

H_2c: Positive-mood participants will be more likely to sign off on less conservative inventory values than negative-mood participants.

3. Experimental Procedures

The experiment was administered under three different mood conditions (positive, neutral, and negative mood). The subjects were given an information sheet stating that the questionnaires were comprised of two unrelated parts. The subjects were told in the first part that the researchers were interested in understanding their reactions to newspaper stories while in the second part the researchers wished to examine decision-making by accountants and auditors. Experimental subjects were told that their responses would be confidential.

The positive-mood scenario was entitled Local Accountant Makes Good. The scenario described a young accountant who had recently passed the CPA exam and was performing a volunteer activity outside the continental United States. The young CPA just received notice that he had received an employment offer from his first choice of accounting firm and was going to dinner with his girlfriend to celebrate.

The neutral-mood scenario described lawn maintenance techniques and was entitled Water Correctly and Fight Weeds. This scenario described how to use water and herbicides to keep weeds out of the lawn. The neutral-mood scenario had previously been used by Chung et al. (2008).

The negative-mood scenario was entitled Local Accountant Dies of Leukemia. This scenario detailed the pain and suffering of a 23 year-old accountant who finds out that he has leukemia. Two months after being diagnosed, the young accountant dies.

After reading one of the mood-inducing scenarios, each participant was asked to record his or her mood by answering three items, each on a nine-point scale. The subjects were asked to indicate how the scenario made them feel by circling the appropriate number from one (negative) to nine (positive) for item one, from one(uplifted) to nine (depressed) for item two, and from one (happy) to nine (sad) for item three. The classification of moods was similar to that used by George and Jones (1997) and Chung et al. (2008).

After recording their moods, the participants were asked to read and analyze information about a publicly-traded original equipment manufacturer. The subjects were given brief information about the client, the board of directors and the audit committee.

Both unaudited financial information for the current year and audited financial information from the previous year was provided. Specific information about the current year's audit of inventory was also provided.

The inventory information indicated there was a difference of opinion between the external auditor and the company on inventory valuation. Because of the difference of opinion, two independent appraisers were hired to appraise the inventory. Based on the information provided about the company, its inventory, and the valuation of the appraisers, the study participants were asked what inventory balance should be signed-off on in the audit work-papers. Study participants had to provide a single dollar figure for the inventory valuation.

4. Participant Demographics

The authors administered the mood experiment and research instrument to 117 professionals who were attending an eight-hour continuing professional education session sponsored by the Alabama Society of Certified Public Accountants. Of the 117 completed instruments, 115 yielded usable results. Respondents ranged in age from 23 years to 85 years. The mean age of the participants was 47 years while the median age was 50 years. Sixty-nine of the participants (60 percent of usable responses) in the study were male. The mean number of years of professional accounting experience was 21 years, indicating a rather experienced group of participants. Only two respondents reported less than one year of professional accounting experience. One individual reported 55 years of accounting experience. Table 1 summarizes the relevant participant demographic data.

Table 1: Demographic Information

Female (N) Male (N)	46 69
Mean Age (years) Median Age(years) Age Range(years)	47 50 23-85
Mean Years Professional Accounting Experience	21
Type of Employer	CPA Firm - 88 Local (84) Regional (4) Private Co. - 17 Public Co. - 2 Not for Profit - 8
Current Position	Partner - 34 Manager - 26 Staff - 30 Controller - 8 CFO - 6 VP Finance - 3 CEO - 2 Other – 6
% Time on Audit Related Functions	50% or More - 12 30-49% - 8 10-29% - 19 1-9% - 6 0% - 70

Eighty-eight of the session's attendees reported being employed by a CPA firm. Eighty-four of the 88 individuals employed by CPA firms reported working with a local firm while four respondents stated their employer was a regional accounting firm.

Seventeen participants reported working for private companies, eight respondents worked for nonprofit organizations, and two participants reported being employed by publicly-traded companies. Thirty-four of the respondents reported being a partner while 26 reported being a manager with a CPA firm. Thirty participants stated they were a staff accountant while eight reported a title of controller and six held the position of chief financial officer. Three participants reported they held the title of Vice President of Finance while two participants were a Chief Executive Officer.

CPA certification was held by 102 of the CPE session attendees. Other certifications listed by the respondents included Certified Management Accountant, Certified Fraud Examiner, Personal Financial Specialist, IRS enrolled agent, Certified Employee Benefit Specialist, Certified Valuation Analyst, and Registered Investment Adviser. Ninety-six respondents reported the highest degree earned was a Bachelor's degree. Nine attendees reported earning either a Master of Accountancy or Master of Taxation degree. Nine respondents reported earning a Master of Business Administration degree. Of the usable responses, one did not report a degree.

One of the participant profile questions asked what percentage of professional time the experiment's participants spent on various accounting functions. Seventy of the 115 subjects reported they did not devote any professional time to either the internal or external audit function. Of the 45 subjects spending some time on auditing, only 12 subjects reported working 50 percent or more of their time on audit-related tasks. Ninety-nine of the 115 subjects reported spending some time on tax-related matters. Fifty-four of the 99 subjects working in tax reported spending at least 50 percent of their professional time in taxation. Seventy-eight of the study's participants reported they spent time completing financial reporting tasks. Twenty of these 78 individuals reported working at least 50 percent of the time on financial reporting matters.

5. Research Results

5.1 Manipulation Check

The experimental research instrument was administered to three groups. Fifty-five subjects answered the neutral-mood scenario while 30 subjects completed the positive-mood simulation and 30 subjects answered the negative-mood instrument. To ensure that the mood manipulations worked as intended, a manipulation check was performed. The first mood state analyzed was positive mood. As stated in the experimental procedures section, subjects were asked to rank their mood feeling on a nine-point scale using three different classifications. The first classification asked the subjects if the story they read made them feel positive or negative. A ranking of nine was the highest positive while a ranking of one was the lowest negative ranking. As expected those reading the positive story ranked their mood higher (7.7) than subjects that read the neutral (5.0) or negative story (2.77). The groups' standard deviations were as follows: 1.29 for the positive-mood group; 1.46 for the neutral-mood group; and 1.61 for the negative-mood group. See Table 2 for the manipulation check results.

Table 2: Mood Scenario Manipulation Check

Mood Scenario	Positive-9 Negative-1	Uplifted-1 Depressed-9	Happy-1 Sad-9
POSITIVE (ACCOUNTANT MAKES GOOD) N MEAN STD. DEVIATION	 30 7.7 1.29	 30 2.67 1.45	 30 2.63 1.54
NEUTRAL (LAWN CARE) N MEAN STD. DEVIATION	 55 5.0 1.45	 55 4.98 1.27	 55 5.04 1.33
NEGATIVE (ACCOUNTANT DIES OF LEUKEMIA) N MEAN STD. DEVIATION	 30 2.77 1.61	 30 6.8 1.30	 30 7.43 1.25

For the two classifications of uplifted-depressed and happy-sad, the rankings were inverted. Thus a ranking of one meant uplifted (happy) while nine meant depressed (sad). The mood findings were consistent with the positive and negative classification results. Subjects reading the positive story had a mean uplifted-depressed score of 2.67, while those reading the neutral story had a mean ranking of 4.98, and those reading the negative story had a mean ranking of 6.8. The standard deviations for the positive, neutral, and negative story subjects in the uplifted-depressed classification were 1.45, 1.27, and 1.30, respectively. Participants reading the positive story reported a mean ranking of 2.63 with a standard deviation of 1.54 on the happy-sad classification. Neutral story subjects reported a mean score of 5.04 and a standard deviation of 1.33 while negative story subjects had a mean ranking of 7.43 and a standard deviation of 1.25.

Tables 2a, 2b, and 2c report the results of analysis of variance testing, indicating that each classification of mood was significantly different at the .01 level. Additional post-hoc comparisons utilizing Games-Howell tests show that positive-mood subjects ranked significantly different than both neutral-mood and negative-mood participants and neutral-mood participants ranked significantly different than negative-mood participants. Together, these findings demonstrate that the mood manipulations were successful.

Table 2a

Panel 1 - Anova Results For Positive-Negative Mood Rankings

	Sum of Squares	df	Mean Square	F	Sig.
Treatment	366.629	2	183.314	86.387	< .001
Within Groups	237.667	112			
Total	604.296	114			

Panel 2 – Post Hoc Comparisons between Positive-Negative Mood Rankings*

Planned Comparisons Between Mood Scores	Mean Difference	Standard Error	Sig.
Positive-Neutral	2.70	.30643	< .001
Neutral-Negative	2.23	.35357	< .001
Positive-Negative	4.93	.37702	< .001

*Post Hoc Comparisons were conducted using a Games-Howell test.

Table 2b

Panel 1 - Anova Results For Uplifted-Depressed Mood Rankings

	Sum of Squares	df	Mean Square	F	Sig.
Treatment	258.038	2	129.019	73.557	< .001
Within Groups	196.448	112	1.754		
Total	454.487	114			

Panel 2 – Post Hoc Comparisons between Uplifted-Depressed Mood Rankings*

Planned Comparisons Between Mood Scores	Mean Difference	Standard Error	Sig.
Positive-Neutral	-2.31	.31467	< .001
Neutral-Negative	-1.82	.29220	< .001
Positive-Negative	-4.13	.35472	< .001

*Post Hoc Comparisons were conducted using a Games-Howell test.

Table 2c

Panel 1 - Anova Results for Happy-Sad Mood Rankings

	Sum of Squares	df	Mean Square	F	Sig.
Treatment	345.600	2	172.800	92.046	< .001
Within Groups	210.261	112	1.877		
Total	555.861	114			

Panel 2 – Post Hoc Comparisons between Happy-Sad Mood Rankings*

Planned Comparisons Between Mood Scores	Mean Difference	Standard Error	Sig.
Positive-Neutral	-2.41	.33402	< .001
Neutral-Negative	-2.39	.29059	< .001
Positive-Negative	-4.8	.36252	< .001

*Post Hoc Comparisons were conducted using a Games-Howell test.

5.2 Findings

Inventory valuation judgments reported by negative-mood participants had the highest standard deviation ($6,978,000) while neutral-mood subjects had the lowest standard deviation ($4,404,000). Positive-mood subjects had a higher standard deviation ($5,436,000) than neutral-mood participants but a lower standard deviation than negative-mood participants. While not statistically significant (.18), these findings align with prior

Table 3: Mean Inventory Valuation

Mood Setting	Mean	N	Std. Deviation
Positive	$136,368,000	30	$5,436,000
Neutral	$136,195,000	55	$4,404,000
Negative	$139,727,000	30	$6,978,000
Total	$137,161,000	115	$5,607,000

research for hypothesis H_1a that positive-mood participants will demonstrate lower consensus on inventory values than neutral-mood participants.

Table 4: Planned Comparisons of Consensus

	Levene's F	Sig.
Overall	9.13	< .001
Positive-Neutral	1.52	.18
Neutral-Negative	2.51	.003
Positive - Negative	1.65	.19

Our findings support hypothesis H_1b. Neutral-mood participants in our study had a significantly (F= 2.51, p=.003) lower standard deviation than negative-mood participants. However, our findings do not support hypothesis H_1c. We found that negative-mood participants had the lowest level of consensus (highest standard deviation) on inventory valuation.

The overall mean inventory valuation for all mood settings was $137,161,000.Neutral-mood subjects valued the inventory at the lowest (more conservative) amount ($136,195,000). Positive-mood subjects valued the inventory at $136,368,000 while negative-mood subjects reported the least conservative estimate of $139,727,000.$H_2$a is rejected because no significant differences were found between positive and neutral mood participants on inventory valuation. For hypotheses H_2b and H_2c, the results are significantly different (F = 4.54, p = .013), however the findings contradict prior research because negative mood participants had the least conservative estimate. The results are opposite of our predictions and do not support our hypotheses.

Table 5: Anova Results for Mean Inventory Valuation

	Sum of Squares	df	Mean Square	F	Sig.
Treatment	267662190816859.200	2	133831095408429.600	4.519	< .013
Within Groups	3316686057878656.000	112	29613268373916.570		
Total	3584348248695515.000	114			

Additional post-hoc comparisons (Table 6) found significant (p=.041) differences between the neutral-mood state valuation ($136,195,000) and the negative-mood setting valuation ($139,727,000).In addition, the positive-mood setting valuation ($136,368,000) was more conservative than the negative-mood setting ($139,727,000) but the significance level was only .104.
(Insert Table 6 here)

5.3 Additional Analysis

Additional exploratory analysis was performed to see if age, years of experience, gender, or time currently spent on audit-related functions impacted the participants' inventory valuation estimates. No significant differences were found for age, years of experience, or gender. However, a marginal impact (p = 0.097) was found when analyzing the percentage of time professionals spend on the audit function.

To measure the effect of age, the participants were divided into groups of under 40 years of age (N=33) and age 40 and over (N=82). Participants less than age 40 valued the inventory at $138,023,000 while those age 40 and over valued the inventory at $136,941,000. For years of experience, participants were divided into professionals with 10 or more years of experience (N=86) and those with less than 10 years of experience (N=29). Professionals with less than 10 years experience valued the inventory at $136,780,000 while professionals with 10 or more years experience valued the inventory at $137,290,000. Females (N=46) valued inventory at $137,938,000 while males (N=69) valued the inventory at $136,701,000.

Table 6: Post Hoc Comparisons of Inventory Valuations*

Planned Comparisons Between Mood Scores	Mean Difference	Standard Error	Sig.
Positive-Neutral	$ 173,000	$1,157,000	.988
Neutral-Negative	$ -3,532,000	$1,406,000	.041
Positive-Negative	$-3,359,000	$1,615,000	.104

*Post Hoc Comparisons were conducted using a Games-Howell test.

Table 7: Additional Analysis

VARIABLE	INVENTORY VALUATION	STANDARD DEVIATION
Age		
≥ 40 (N) = 82	$136,941,000	$5,530,000
< 40 (N) = 33	$138,023,000	$5,815,000
Professional Experience		
≥ 10 Years (N) = 86	$137,290,000	$5,652,000
< 10 Years (N) = 29	$136,780,000	$5,551,000
Gender		
Female (N) = 46	$137,938,000	$5,847,000
Male (N) = 69	$136,701,000	$5,607,000
% Time Spent on Audit Related Functions		
≥ 10% (N) = 39	$135,949,000	$5,518,000
< 10% (N) = 76	$137,784,000	$5,586,000

Note: No Significant Differences (.05) Were Found

The percentage of time spent on the audit function was analyzed by dividing professionals into two groups. The first group was for individuals that spend less than 10 percent of their time on audit-related functions (N=76) while the other group was for those that spend 10 percent or more of their time on audit-related functions (N=39). Although not significant at the .05 level ($t = -1.66$, two-tailed $p = 0.097$), individuals that spent 10 percent or more of their time on audit-related functions had a more conservative inventory valuation ($135,949,000) than individuals that spent less than 10 percent of their time on audit-related matters ($137,784,000).

6. Conclusion

The results of the current study differ from previous mood studies. Previous studies reported that individuals exposed to a negative mood would exhibit the most conservative judgment with respect to inventory valuation. Our results indicated that accounting professionals exposed to a negative mood had a significantly higher estimate of inventory valuation (less conservative) than accounting professionals in a neutral-mood scenario. We found no statistically significant difference in inventory valuation judgments when comparing the positive- and neutral-mood manipulations. Although not statistically significant, we did find that individuals in a positive mood reported a more conservative estimate of inventory valuation than subjects in the negative-mood state.

Prior studies have found that individuals in a positive-mood scenario would have less judgment consensus than individuals in a neutral- or negative-mood state. Although not significant, our results found that positive-mood professionals had less judgment consensus (higher standard deviation) than neutral-mood participants, however, our results indicated that negative-mood participants had less consensus than positive-mood participants. Our study found statistically significant results that contradict prior research by finding that negative-mood participants exhibited less consensus than neutral-mood subjects. Interestingly, in contrast to Bhattacharjee and Moreno's (2002) findings that experience can mitigate the effect of emotions on audit judgments, our results indicate that accounting professionals with varying levels of experience did not report statistically significant differences in their inventory valuation judgments.

The current study is not without limitations. One limitation is that we measured the impact of mood on accounting professionals rather than on auditing professionals, for whom inventory valuation judgments are a critical task. However, the current study does provide limited evidence that accounting professionals who dedicated 10 percent or more of their time to audit-related tasks had a somewhat more conservative estimate of inventory valuation than professionals who performed audit-related tasks less than 10 percent of the time. Also, we did not ask the participants whether or not they were aware of their mood states or the possibility that their moods could impact their inventory valuation judgments.

Additionally, the mood-inducing scenarios used in the study were rather generic in nature as opposed to being more employment related. Had the mood-inducing scenarios been tailored to accountants' workplace environments, they might have seemed more real to the participants and may have impacted the study's findings.

Since some of the results of this study contradict prior research, additional studies on the impact of mood are needed if we are to develop a better understanding of the impact of moods on accountants' professional judgments. Since this study's participants were more experienced than the subjects utilized in prior studies and our findings do not support Bhattacharjee and Moreno's (2002) findings that experience can mitigate the effect of emotions on audit judgment, future research studies comparing the impact of mood on the judgment of experienced auditors and accounting professionals versus inexperienced auditors and accounting professionals is needed. Since this study utilized accounting professionals in the U.S. while other studies used Indonesian and Australian subjects, additional mood research that compares the judgment of both experienced and inexperienced U.S. auditors and other accounting professionals versus auditors and professionals from other countries is warranted. Additionally, studies that compare moods' effects on professionals such as commercial loan officers and stock analysts are needed.

Our findings have potential managerial implications. First, managers should be aware of the moods of their professionals participating in a given accounting function. If an accounting professional has had a significant event occur in his or her life (i.e., the death of a close family member or divorce), the manager should provide greater scrutiny of any work requiring significant use of professional judgment. Second, accounting professionals should receive training to help them be more aware of their moods and to recognize when a mood change may be affecting their professional judgment.

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