



Man Versus Machine: Complex Estimates and Auditor Reliance on Artificial Intelligence



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Key Words:

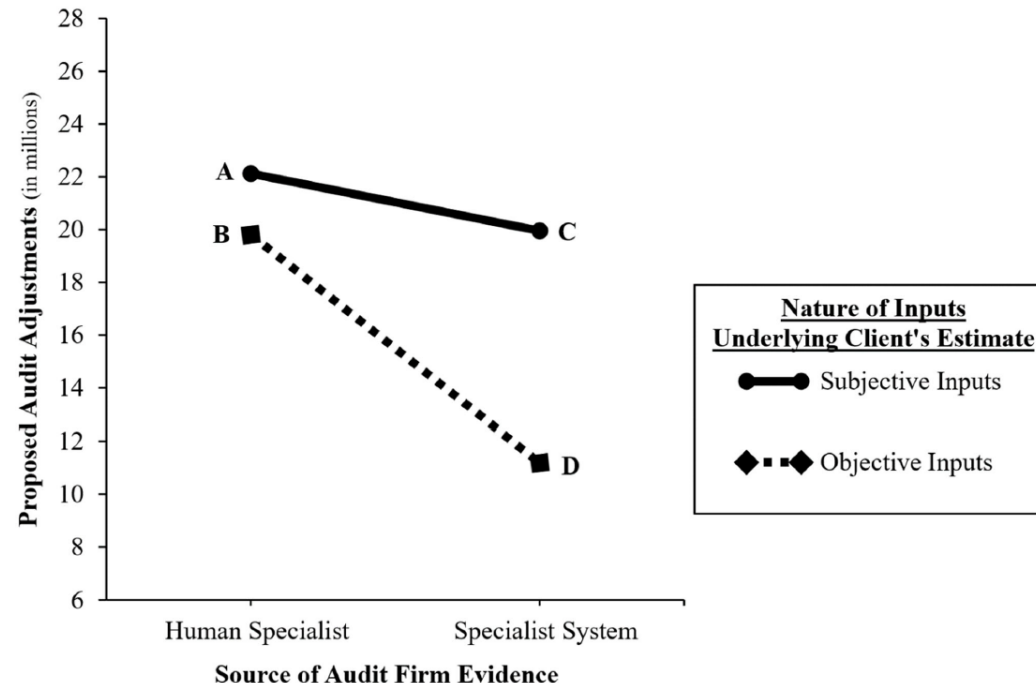
audit, accounting estimates, artificial intelligence, algorithm aversion, subjectivity

Benefit to Accounting:

Audit firms are investing billions of dollars to develop and implement artificial intelligence (AI) systems, with the belief that these systems will enhance audit quality. However, AI's potential benefit may not be realized if auditors exhibit algorithm aversion – the tendency to discount computer-based advice more heavily than human advice, although the advice is identical otherwise.

Main Findings:

We conduct an experiment to examine how algorithm aversion manifests in auditor judgments. We find that auditors receiving contradictory evidence from their firm's specialist system (instead of a human specialist) propose smaller adjustments to management's complex estimates, particularly when management develops their estimates using relatively objective (versus subjective) inputs.



Conclusion:

Our findings suggest auditor susceptibility to algorithm aversion could prove costly for the profession and financial statements users. Additionally, our results find that auditors tend to exhibit greater algorithm aversion when weighing firm evidence against management's evidence that is based on objective inputs.

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