An Examination of the Impact of Alternative Accounting Procedures on Risk-Taking Behavior: A Test of Prospect Theory

Morris H. Stocks
University of Mississippi

Martha M. Pointer
East Tennessee State University, Pointer@etsu.edu

Follow this and additional works at: https://dc.etsu.edu/etsu-works

Part of the Higher Education Commons

Citation Information
An Examination of the Impact of Alternative Accounting Procedures on Risk-Taking Behavior: A Test of Prospect Theory

Copyright Statement
This document was published with permission from the publisher. It was originally published in the Proceedings of the Joint Meeting of the Academic Business World International Conference and International Conference on Learning and Administration in Higher Education.
An Examination of the Impact of Alternative Accounting Procedures on Risk-Taking Behavior: A Test of Prospect Theory

Morris H. Stocks
University of Mississippi

Martha M. Pointer
East Tennessee State University

ABSTRACT

Many business decisions which use accounting information are made under conditions of uncertainty and are biased, in part, on relative gains and losses. Therefore, accounting settings appear to be a particularly appropriate setting to test the predictions of prospect theory. To date, little accounting research has been conducted which has used prospect theory as its theoretical foundation. Using a discount period decision under risk, practicing accountants were asked to indicated he likelihood of making an inventory payment. The results of the study provide limited support for prospect theory propositions. It also is interesting that the perceptions of and ethical conflict by subjects significantly impacts the likelihood assessments made by the subjects.