

Scenario Planning and Foresight of Dividend Policies, Client Pressure, and Auditors' Professional Judgment

Niloufar Fareghi¹, Mohammad Mahmoodi^{2,*} and Seyedeh Atefeh Hosseini³



¹ Department of Accounting, Fi.C., Islamic Azad University, Firoozkooh, Iran; 

² Department of Accounting, Fi.C., Islamic Azad University, Firoozkooh, Iran; 

³ Department of Accounting, Fi.C., Islamic Azad University, Firoozkooh, Iran; 

* Correspondence: mahmoodi@iau.ac.ir

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Abstract: Auditors' professional judgment is influenced by a range of financial, organizational, and environmental factors, among which dividend policies and client pressure are particularly important. The present study aimed to conduct scenario planning and foresight analysis of the effects of dividend policies and client pressure on auditors' professional judgment. The study employed a futures research approach using scenario analysis. Data were collected through interviews with 23 experts, including university professors, certified public accountants, audit firm partners, and financial managers. Using the Delphi method, the key drivers influencing the phenomenon were identified and ranked. The findings indicated that, among 35 initially identified drivers, 20 key factors were confirmed for analyzing the future of auditors' professional judgment. The ranking results showed that dividend policies, client dependence, stock exchange regulations, professional ethics, corporate governance, and operational risk were among the most influential factors shaping the future of auditors' judgment. The scenarios further demonstrated that a combination of an aggressive dividend policy, intense client pressure, and weak control mechanisms could increase the risk of misstatement and undermine auditor independence. Conversely, strong corporate governance, effective internal controls, the adoption of emerging technologies, and a balanced dividend policy can provide an appropriate foundation for improving financial reporting quality and supporting independent auditor judgment. The findings of this study may be used to design regulatory mechanisms and enhance audit quality.

Keywords: dividend policy, client pressure, auditors' professional judgment.

1. Introduction

Professional judgment constitutes one of the central foundations of auditing because many audit decisions cannot be reduced to mechanical applications of standards, checklists, or predetermined procedures. Auditors are repeatedly required to evaluate ambiguous evidence, estimate the likelihood of material misstatement, assess management representations, determine the sufficiency and appropriateness of audit evidence, and decide whether identified issues require additional procedures or modifications to the audit report. These judgments are made within organizational, contractual, economic, and interpersonal environments in which several competing interests operate simultaneously. Consequently, auditors' professional judgment is not formed in isolation; rather, it is shaped by the interaction of professional standards, individual characteristics, organizational incentives, client relationships, governance mechanisms, and broader market conditions. Recent developments in auditing research increasingly emphasize that understanding audit

quality requires close attention to the contextual forces that shape auditors' judgments and actions rather than focusing exclusively on formal auditing requirements [1, 2].

The importance of professional judgment has become even more pronounced as financial reporting systems have grown increasingly complex. Contemporary organizations operate within environments characterized by sophisticated transactions, greater use of estimates and fair values, increasing technological dependence, changing regulatory expectations, and heightened demands for transparency. Under these conditions, auditors must interpret not only accounting information but also the economic substance of transactions and the incentives underlying managerial choices. Evidence from research on key audit matters demonstrates that auditor reporting can provide important insights into areas requiring substantial professional judgment and can reveal the issues that auditors regard as especially complex or risky [1]. This perspective highlights the importance of examining the conditions under which professional judgment may be strengthened, constrained, or redirected by external and internal pressures.

Audit quality is also closely connected to the broader monitoring function performed by auditors. From a corporate governance perspective, auditing reduces information asymmetry between managers, shareholders, creditors, and other stakeholders by providing independent assurance concerning the reliability of financial information. The demand for monitoring becomes particularly significant when organizational structures create stronger agency conflicts or when stakeholders have limited direct access to managerial decision-making processes [3]. Accordingly, the auditor's ability to exercise independent professional judgment is not merely an individual professional attribute but an important component of governance architecture. When auditor judgment is impaired by economic dependence, client pressure, incentive systems, or inappropriate managerial influence, the effectiveness of the monitoring mechanism may also deteriorate.

One of the most important challenges in this regard is the auditor–client relationship. Auditing necessarily requires extensive interaction with client management, because auditors depend on organizational personnel for explanations, documents, estimates, access to systems, and responses to identified issues. At the same time, this interaction can generate pressures that affect professional skepticism and judgment. Client managers may attempt to influence the timing, scope, interpretation, or resolution of audit issues, particularly when audit findings threaten reported earnings, contractual outcomes, management compensation, or market perceptions. Experimental and behavioral auditing research has shown that the nature of communication between auditors and clients can influence skeptical behavior and the way auditors pursue potentially contentious issues [4]. The structure of auditor–client interaction therefore represents an important behavioral dimension of audit quality.

The complexity of these interactions has led researchers to examine not only whether client pressure exists, but also how auditors respond to different forms of client behavior. Evidence indicates that auditors' judgments and subsequent actions do not always respond consistently when client managers behave in an uncooperative manner, suggesting that professional judgment can diverge from behavioral follow-through under conditions of interpersonal pressure [2]. Such findings are especially important because the effectiveness of an audit depends not only on an auditor recognizing a risk but also on acting appropriately in response to that recognition. An auditor may identify a questionable accounting treatment but still reduce the extent of challenge, documentation, or negotiation when confronted with strong client resistance. Accordingly, examining client pressure as a driver of future audit judgments is essential for understanding the sustainability of auditor independence and professional skepticism.

The manner in which auditor–client interactions are studied also requires methodological attention. Research has noted that experimental settings may simplify or constrain naturally occurring interaction patterns between auditors and clients, potentially affecting conclusions regarding negotiation, communication, and skeptical behavior [5]. Related methodological research emphasizes the need for careful validation of experimental manipulations and warns against assuming that intended psychological or behavioral manipulations necessarily operate as designed [6]. These concerns reinforce the value of complementary research designs capable of examining audit judgment in more complex and forward-looking settings. Scenario-based research and futures-oriented approaches are particularly useful in this context because they permit researchers and experts to consider combinations of financial, organizational, technological, and environmental conditions rather than isolating individual variables.

Among the financial factors that may interact with client pressure, dividend policy is especially important. Dividend decisions influence the distribution of corporate resources between shareholders and retained financing and therefore affect liquidity, investment capacity, external financing needs, and expectations regarding future profitability. Once a company establishes a pattern of relatively high or stable dividend payments, shareholders may interpret changes in those payments as signals concerning financial performance and management expectations. Consequently, management may face pressure to preserve dividend levels even when operating conditions deteriorate. Research examining investor pressure and dividend policy indicates that investor expectations can play a meaningful role in shaping corporate payout decisions [7]. This suggests that dividend policy is not simply a mechanical allocation of profits but can become a source of managerial pressure with implications for financial reporting behavior.

When dividend expectations cannot easily be supported by operating cash flows or sustainable profitability, management may have incentives to influence reported accounting outcomes. These incentives can take the form of income smoothing, optimistic estimates, accelerated revenue recognition, delayed expense recognition, or other forms of earnings management. Research on income smoothing has linked financing considerations and auditor judgment to the financial reporting choices of firms with different investment opportunities, indicating that financing needs and reporting incentives can interact with the auditor’s evaluative role [8]. Therefore, dividend policy may affect auditors indirectly by changing management’s incentives to achieve particular earnings targets and directly by influencing the auditor’s assessment of financial reporting risk, liquidity constraints, and management bias.

The interaction between economic incentives and audit judgment becomes even more significant when client pressure is simultaneously present. A company attempting to maintain a high dividend payout while also facing demands from major customers for discounts, better contractual terms, higher service quality, or extended credit conditions may experience significant pressure on margins and cash flows. Such conditions can create incentives to present more favorable financial results, thereby increasing the risk of aggressive accounting choices. Recent experimental research provides direct evidence that performance-based profit-sharing arrangements and client pressure can affect auditors’ pre-negotiation judgments, demonstrating how incentive structures and client influence may jointly shape auditors’ assessments before formal negotiation begins [9]. This interaction is particularly relevant to the present study because it suggests that dividend-related financial incentives and client pressure should not be examined as entirely separate determinants of audit judgment.

Audit firms’ own compensation and incentive systems also form part of this broader environment. The behavior of auditors may be influenced not only by pressures originating from client management but also by the economic

policies of the audit firms in which they work. Research has found associations between audit firms' compensation policies and audit quality, highlighting the possibility that internal reward structures can affect professional behavior and engagement outcomes [10]. Accordingly, professional judgment should be understood as the result of a multi-level system in which individual auditors operate within audit firms that themselves face profitability concerns, client-retention incentives, reputational considerations, and regulatory scrutiny. This broader perspective is important when considering how future changes in market competition or client dependence may alter auditing practices.

Individual characteristics may moderate the effects of external pressures as well. For example, research examining emotional intelligence in the context of time-budget pressure, client pressure, and auditors' judgment has suggested that auditors' personal and psychological capabilities may influence how they respond to demanding professional situations [11]. This line of research implies that the same level of client pressure may not produce identical judgments across auditors. However, relying solely on individual resilience or competence is unlikely to provide an adequate response to systemic pressures. Organizational governance, professional standards, audit firm policies, and internal controls are therefore necessary to create institutional conditions that support appropriate judgment even when auditors face strong economic or interpersonal pressures.

Financial reporting quality also has implications extending beyond traditional audit outcomes. Contemporary reporting systems increasingly integrate financial, governance, environmental, and strategic information, thereby expanding both the scope of corporate accountability and the demands placed on assurance providers. Research on the relationship among integrated reporting, audit quality, and tax aggressiveness indicates that reporting architecture and audit quality interact with broader managerial strategies concerning transparency and aggressive financial behavior [12]. Similarly, evidence concerning auditor certification reform and tax aggressiveness demonstrates that changes in auditors' knowledge, risk awareness, and professional environment can affect corporate reporting behavior beyond conventional financial statement auditing [13]. These findings indicate that changes in audit judgment can have wider implications for organizational governance and financial conduct.

Another important dimension involves the consequences of weaknesses in financial reporting and audit engagement processes. Restatements are among the clearest observable signals that previously issued financial information contained errors or misstatements requiring correction. Recent research on interim restatements and audit engagements highlights the connection between reporting failures and audit-related processes, reinforcing the importance of identifying circumstances that may increase the probability of misstatement before corrective action becomes necessary [14]. In a context where management simultaneously faces shareholder expectations, dividend commitments, client dependence, and operating pressure, auditors must make judgments about whether reported results faithfully represent economic conditions or reflect opportunistic adjustments. Therefore, anticipating the conditions under which audit risk may intensify has practical value for audit firms, regulators, boards, and audit committees.

Corporate governance can mitigate many of these risks. Effective boards, independent audit committees, robust internal controls, clear accountability mechanisms, and transparent reporting systems can constrain opportunistic managerial behavior while strengthening auditor independence. Strong governance can also reduce the ability of dominant shareholders or influential managers to exert inappropriate pressure on the accounting function or external auditor. The monitoring perspective suggests that governance and auditing operate as complementary mechanisms, and the effectiveness of external audit depends partly on the institutional structures within which

auditors operate [3]. When these structures are weak, even technically competent auditors may face difficulties in resisting persistent client influence.

Technological developments add another layer of uncertainty to the future of professional judgment. Artificial intelligence, advanced data analytics, automated controls, and digital audit tools increasingly enable auditors to examine larger populations of transactions, detect unusual patterns, and identify anomalies that may not be apparent through conventional sampling methods. At the same time, greater technological sophistication may alter how auditors gather evidence, communicate with clients, and allocate professional attention. Research on computer-mediated auditor–client communication already demonstrates that communication technologies can influence skeptical behavior [4]. As artificial intelligence and data-driven audit procedures become more pervasive, the relationship between technology and judgment is likely to become increasingly important. Technology may strengthen professional judgment by improving access to evidence, but it may also create new risks involving overreliance on automated outputs, insufficient understanding of models, and changes in the nature of auditor–client interaction.

These developments indicate that the future of auditors' professional judgment cannot adequately be understood through a static analysis of isolated variables. Client pressure, dividend policy, ownership structure, shareholder expectations, governance quality, internal controls, audit firm incentives, technological developments, regulatory changes, and broader economic conditions can interact in ways that produce substantially different future environments. For example, intense client pressure may be particularly damaging when corporate governance is weak, but its effects may be moderated when audit committees are independent and internal controls are effective. Similarly, an aggressive dividend policy may create strong incentives for earnings management during periods of declining cash flows, whereas the same policy may produce lower reporting risk in a highly profitable firm with diversified customers and strong governance. A futures research framework is therefore appropriate for investigating these interdependencies because it focuses on plausible alternative configurations of influential drivers rather than assuming that present relationships will remain unchanged.

Scenario planning provides a systematic means of addressing such complexity and uncertainty. Rather than generating a single deterministic prediction, scenario planning identifies key drivers, evaluates their importance and uncertainty, and constructs internally coherent alternative futures based on different combinations of critical conditions. This approach is particularly useful in auditing because future professional judgment is likely to be shaped by interacting economic, organizational, regulatory, technological, and behavioral factors. By comparing alternative scenarios, researchers can identify conditions associated with greater audit risk as well as configurations that may support independence, skepticism, and high-quality financial reporting. Such an approach also has practical value for regulators, audit firms, audit committees, and corporate decision-makers because it enables them to evaluate the potential long-term consequences of current governance and financial policies before risks become fully observable.

The existing literature has generated valuable evidence concerning client pressure and auditor judgment [2, 9, 11], auditor–client communication and skeptical behavior [4, 5], audit firm incentives and audit quality [10], dividend policy and investor pressure [7], financing incentives and income smoothing [8], professional judgment and key audit matters [1], reporting quality and audit-related outcomes [12, 14], and developments affecting auditors' monitoring and risk-assessment roles [3, 13]. Methodological research has also emphasized the importance of carefully designing behavioral studies and interpreting evidence concerning auditor–client interactions [6]. Nevertheless, these research streams have generally examined particular relationships or specific

mechanisms rather than integrating dividend policy, client pressure, governance conditions, technological developments, and professional judgment within a coherent futures-oriented framework.

This gap is important because the auditing environment is characterized by both structural interdependence and uncertainty. The effects of dividend policy on auditor judgment may depend on client concentration, liquidity, ownership structure, governance quality, and market conditions. Likewise, the effects of client pressure may vary according to auditor independence, audit committee effectiveness, organizational culture, and technological capabilities. Consequently, identifying the most influential drivers and examining their cross-impacts can provide a more comprehensive understanding of how professional judgment may evolve. A scenario-based futures approach can also distinguish between probable, possible, critical, and desirable futures, thereby extending the literature beyond explanations of existing behavior toward the systematic consideration of emerging risks and strategic responses.

Accordingly, the aim of this study is to develop and analyze future scenarios concerning the effects of dividend policy and client pressure on auditors' professional judgment by identifying and prioritizing key drivers, assessing their cross-impacts and critical uncertainties, and determining the conditions associated with probable, possible, critical, and desirable futures for audit quality and financial reporting.

2. Methodology

The present study employed scenario analysis. In this method, multiple plausible scenarios or narratives of the future are developed to assess the effects of current decisions on future outcomes under different conditions. The primary purpose of this research method is not to predict the future, but rather to prepare for multiple plausible futures and enhance the adaptability and flexibility of an organization or individual. Scenario planning encompasses a diverse range of approaches, techniques, research procedures, and workshop designs used in futures studies. Scenario planning, or scenario methodology, represents a methodological concept that encompasses a range of approaches with varying degrees of complexity. In futures research, scenario planning can be conducted using different techniques. Its purpose is to help guide future developments by examining relevant key factors. A scenario describes a plausible future state and includes the developmental pathways that may lead to that state. Ultimately, different conceptualizations of the future and the knowledge associated with them have contributed to the emergence of various concepts, including the concept of the scenario. In the present study, data collection using scenario analysis was primarily conducted through scenario-based questionnaires. This method constitutes either a between-subjects or within-subjects experimental design in which the researcher develops different scenarios and presents them to participants. In summary, the main stages and details of the data collection procedure were as follows:

- Scenario development
- Questionnaire design
- Selection of the statistical population and sampling
- Experimental implementation and data collection

Peter Schwartz's scenario planning approach, also known as the critical uncertainty approach, is one of the most important and widely used methods for scenario development. In his book *The Art of the Long View*, Schwartz (1991) outlined the stages of the scenario-building process as follows:

- **Step 1: Identifying the focal issues and fundamental decisions**

- The first step in developing scenarios is for decision-makers to begin with the issues and decisions of interest within the organization.
- **Step 2: Obtaining and collecting information**
- **Step 3: Listing the driving forces**
- **Step 4: Ranking the drivers according to their importance and uncertainty**

The study population in the interview phase consisted of experts relevant to the research topic who had professional backgrounds in accounting and auditing. Sampling began in accordance with the procedures commonly employed in qualitative research, using purposive sampling, and subsequently continued through theoretical sampling. Accordingly, individuals who possessed substantial information relevant to the current research topic and could contribute meaningfully to understanding the research problem and the focal phenomenon were initially selected purposively. Sampling then continued until theoretical saturation was achieved, that is, until subsequent participants no longer contributed new information to the emerging categories or developing theoretical framework. In the present study, theoretical saturation was largely evident after interviewing Participant 18. However, to ensure greater confidence and address conceptual gaps in the developed framework, five additional experts were interviewed. Consequently, the final number of participants reached 23.

3. Findings and Results

Scenario 1: Aggressive Dividend Policy Accompanied by Intense Client Pressure

In this scenario, the company adopts an aggressive dividend policy and distributes approximately 90% of its annual net income among shareholders. At the same time, the company's largest client, which accounts for a substantial proportion of operating revenues, demands lower product prices and improved service quality and makes continuation of the business relationship contingent upon acceptance of these conditions. Consequently, management is exposed to two simultaneous pressures: shareholders' expectations regarding the maintenance of cash dividends and the need to secure sufficient financial resources to retain the key client. These circumstances seriously challenge the company's financial equilibrium and increase the likelihood of short-term managerial decision-making.

Scenario 2: No Dividend Distribution and Full Reinvestment of Profits Under Low Client Pressure

In this scenario, the company adopts a policy of paying no cash dividends and reinvests all annual net income in development projects, research and development, equipment modernization, and increased production capacity. Furthermore, the company maintains a diversified customer portfolio, with no single client accounting for a dominant share of its revenues. Consequently, client pressure remains low, and management is not compelled to provide special concessions to retain a particular client. Under these conditions, managerial decisions are more likely to focus on long-term objectives and increasing firm value rather than being driven by short-term market pressures.

Under such circumstances, management's incentive to manipulate earnings in order to maintain a predetermined dividend level or satisfy major clients declines. Although accounting judgments remain necessary in the estimation process, the likelihood that these judgments will be used opportunistically is lower than in companies experiencing intense stakeholder pressure. Moreover, reinvesting profits can improve operating cash flows, strengthen competitiveness, and enhance the company's long-term financial position, thereby contributing to a reduction in business risk.

Scenario 3: Maintaining a Stable Dividend Under Declining Cash Flows and Increasing Client Pressure

In this scenario, the company has consistently distributed a stable cash dividend to shareholders over previous years, and maintaining this policy has become part of the company's reputation in the capital market. However, declining cash flows resulting from lower sales, higher production costs, and discount requests from the principal client have placed severe constraints on the company's financial capacity. To avoid adverse reactions from the market and shareholders, management continues to insist on maintaining the dividend level even though the company's cash resources are insufficient to meet this commitment.

Continuation of this situation places considerable pressure on management and increases the likelihood of short-term decision-making. To preserve a favorable image of corporate performance, management may recognize revenue prematurely, reduce provisions, or defer certain expenses to future periods so that reported earnings remain at the expected level. The greater the company's dependence on one or several major clients, the greater the likelihood of such behavior, because losing these clients could further intensify liquidity problems.

Scenario 4: Strong Corporate Governance in the Presence of High Client Pressure

In this scenario, although the company faces intense pressure from clients to reduce prices, improve quality, and accelerate product delivery, it has a robust corporate governance structure. An independent board of directors, an active audit committee, an effective internal control system, and transparent monitoring processes continuously oversee management decisions. Furthermore, the company's dividend policy is formulated on the basis of long-term financial plans rather than temporary market pressures.

The existence of such a structure prevents external pressures from easily compromising financial reporting quality. Management is accountable to the audit committee and board of directors for financial decisions, and any changes in accounting estimates or financial policies must be properly documented and defensible. Consequently, although client pressure remains present, the likelihood that such pressure will translate into opportunistic behavior or earnings management is substantially reduced.

Scenario 5: Aggressive Dividend Policy in the Absence of Client Dependence

In this scenario, the company has numerous and diversified clients, with no single client accounting for a dominant share of revenue; therefore, client pressure remains low. Nevertheless, management pursues a very high dividend payout policy for various reasons, including maintaining the share price, attracting new investors, and meeting shareholder expectations. This decision reduces the financial resources available for future investments and increases the company's reliance on external financing.

Under such conditions, the primary source of risk is not client pressure but the company's financial policy. To maintain the pattern of cash dividend payments, management may have greater incentives to present a favorable picture of financial performance. Although the absence of direct customer pressure reduces certain operational risks, pressure arising from shareholder expectations may still create conditions conducive to earnings management or overly optimistic accounting estimates. Therefore, dividend policy alone can influence management's financial behavior.

Scenario 6: Heavy Dependence on a Single Client and Continuation of a High Dividend Policy

In this scenario, approximately 70% of the company's operating revenue is generated through business with one principal client. Citing competitive market conditions, this client demands lower product prices, improved quality, and faster order fulfillment. At the same time, the company has pursued a high dividend policy in previous years, and shareholders expect this pattern to continue without change. The simultaneous presence of these two factors places additional pressure on management because the decline in profitability resulting from concessions granted to the client reduces the company's capacity to maintain dividend payments.

Under such circumstances, management may attempt to offset declining operating profits by using optimistic estimates, recognizing revenue prematurely, reducing provisions, or deferring expense recognition so that the company's financial performance appears more favorable than it actually is. Excessive dependence on a single client also increases the company's business risk because the loss of that client could significantly affect cash flows, profitability, and even the company's ability to continue as a going concern. This situation further strengthens management's incentives to portray financial performance as stable.

Scenario 7: Continuation of Cash Dividend Payments During an Economic Recession

In this scenario, the national economy is experiencing recession, declining demand, and rising production costs. Many companies operating in the same industry are facing lower sales and declining profitability. Nevertheless, the focal company continues to pay cash dividends at the same level as in previous years in order to preserve shareholder confidence and prevent a decline in the market value of its shares. Simultaneously, because of adverse economic conditions, some clients request discounts or extended payment terms, placing additional pressure on the company's liquidity position.

Continuing this policy during a recession may expose management to multiple financial challenges. Declining operating cash flows and increasing financial obligations may strengthen management's incentive to portray the company's actual performance more favorably. Under such circumstances, optimistic estimates, changes in the timing of revenue recognition, or reductions in provisions may be used as mechanisms for maintaining reported earnings at the desired level. Although such actions do not necessarily constitute fraud, they increase the risk of material misstatement in the financial statements.

Scenario 8: Implementation of Artificial Intelligence Technologies and a Balanced Dividend Policy

In this scenario, the company has substantially automated its financial and accounting processes by investing in artificial intelligence systems, big data analytics, and intelligent internal control systems. The dividend policy is determined on the basis of long-term financial plans and the company's actual cash-flow capacity, and management avoids impulsive decisions intended merely to satisfy shareholders in the short term. The company also has limited dependence on any particular client and maintains a sufficiently diversified portfolio of business relationships.

The adoption of emerging technologies increases information transparency, reduces human error, and strengthens internal controls. Intelligent systems automatically identify and report many unusual transactions, abnormal changes in accounts, and potential patterns of earnings management. Consequently, opportunities for unjustified modifications to financial information are reduced, and management is required to base its decisions on accurate and well-documented information.

Scenario 9: Direct Management Pressure to Maintain the Share Price

In this scenario, the chief executive officer believes that a decline in reported earnings would lead to a substantial decrease in the company's share price, weaken investor confidence, and make financing more difficult. Accordingly, the CEO instructs financial managers to use all permissible accounting alternatives to increase reported earnings and, as far as possible, avoid recognizing expenses that would reduce profit. Simultaneously, the company continues to pursue a relatively high dividend policy to project a favorable image of its performance in the capital market.

This approach increases psychological pressure on financial managers and accounting personnel. Although many decisions may technically remain within the boundaries of accounting standards, the likelihood of opportunistic use of accounting estimates, revenue-recognition timing, and the discretion permitted under

accounting standards increases. Consequently, the quality of reported earnings may decline, and the reliability of the financial statements may become more questionable.

Scenario 10: Dependence on Government Contracts and Institutional Pressures

In this scenario, a substantial portion of the company's revenue is generated from contracts with government agencies or public-sector organizations, and renewal of these contracts is contingent upon demonstrating satisfactory financial performance and maintaining specified productivity indicators. Simultaneously, the company follows a relatively stable dividend policy in order to preserve shareholder confidence and maintain its reputation in the capital market. Consequently, management faces not only shareholder pressure but also expectations from government institutions and public-sector clients.

In such an environment, the potential for conflict between economic objectives and contractual requirements increases. To retain major contracts, management may attempt to portray the company's financial performance more favorably than its actual condition or defer certain project-related costs to subsequent periods. Heavy reliance on government contracts also increases risks associated with changes in public policy, delays in collecting receivables, and regulatory changes, all of which may affect the company's financial position.

Scenario 11: Severe Liquidity Shortage and Continuation of Cash Dividend Payments

In this scenario, the company faces a substantial liquidity shortage due to declining sales, increasing operating expenses, and delays in collecting receivables. Despite these conditions, the board of directors decides to continue the dividend policy of previous years without modification in order to maintain shareholder confidence and prevent a decline in the market value of the company's shares. Although this decision may satisfy investors in the short term, it places severe financial pressure on the company's cash resources and reduces its capacity to finance working capital and undertake development projects.

Under such circumstances, management may attempt to justify the continuation of cash dividend payments by portraying the company's financial position more favorably than it actually is. The use of optimistic estimates in asset valuation, premature revenue recognition, reductions in provisions, or postponement of certain expenses are among the practices that may affect the quality of reported earnings. The greater the divergence between accounting profit and operating cash flow, the higher the risk of material misstatement.

Scenario 12: A New Auditor With Limited Knowledge of the Company

In this scenario, the company has changed its audit firm for the first time, and a new auditor is responsible for auditing the financial statements. The new auditor does not yet have comprehensive knowledge of the company's internal control structure, organizational culture, financial policies, or management decision-making processes. Simultaneously, the company follows a relatively high dividend policy, and one of its principal clients exerts considerable pressure to reduce product prices and maintain existing contractual terms.

The auditor's limited initial knowledge of the company's activities means that the auditor cannot rely on experience accumulated in prior years and must devote additional time to obtaining an understanding of the entity, assessing internal control processes, and analyzing financial risks. Furthermore, the combination of a high dividend policy and client pressure may increase incentives for earnings management, thereby necessitating more rigorous audit procedures.

Scenario 13: Reduction in Dividends and Emphasis on Development Investments

In this scenario, after several years of paying high cash dividends, the company decides to retain a substantial portion of its profits to finance development projects, modernize equipment, and enter new markets. Although this decision initially receives a negative response from some shareholders, management attempts to convince them of

the advantages of the policy by presenting strategic plans and forecasts of increased profitability in future years. Furthermore, the company is not highly dependent on any particular client, and customer pressure remains at a moderate level.

An emphasis on long-term investment reduces the pressure associated with maintaining cash dividend payments and decreases management's incentive to manipulate earnings. Increased internally generated financial resources also facilitate the implementation of development projects and strengthen the company's competitive capabilities. Under such conditions, the quality of reported earnings may improve, and managerial decisions may increasingly be based on the company's long-term interests.

Scenario 14: Conflict Between Major Shareholders and the Audit Committee

In this scenario, major shareholders demand an increase in cash dividends and the distribution of a larger proportion of annual earnings because short-term investment returns are particularly important to them. In contrast, the audit committee and independent members of the board of directors believe that economic conditions and the company's development plans require a larger proportion of profits to be retained within the company. This disagreement exposes management to conflicting pressures and increases the complexity of dividend policy decisions.

Continuation of this situation may influence the company's decision-making environment and increase the likelihood of pressure on the finance function to present more favorable financial reports. To satisfy both groups, management may attempt to portray the company's financial performance as stronger than it actually is or adjust accounting estimates in ways that increase distributable earnings. Although such actions may technically remain within the framework of accounting standards, they increase the likelihood of reduced financial reporting quality.

Scenario 15: Increasing Customer-Retention Costs and Declining Profitability

In this scenario, competition within the industry intensifies, and the company is compelled to offer substantial discounts, expand after-sales services, and invest more heavily in marketing to retain its key customers. Although these measures help preserve market share, they reduce the company's profit margin and limit the financial resources available for distribution. Despite these circumstances, shareholders continue to expect cash dividends to remain at levels comparable to those of previous years.

Declining profitability combined with pressure to retain customers strengthens management's incentive to report favorable financial performance. Certain marketing or after-sales service expenses may be deferred to future periods, or estimates concerning provisions and expenses may be made more optimistically to prevent a substantial decline in reported earnings. This situation becomes particularly important when intense market competition and dependence on major customers increase simultaneously.

Scenario 16: Weak Internal Controls and Management's Insistence on High Cash Dividend Payments

In this scenario, internal evaluations and internal audit reports indicate significant weaknesses in the company's internal control system. Adequate segregation of duties has not been established within the finance function, transaction-authorization processes lack sufficient rigor, and oversight of the recording of financial events is ineffective. Despite these deficiencies, the board of directors continues to emphasize maintaining a high dividend policy, and management insists on continuing this policy to prevent shareholder dissatisfaction.

Weak internal controls combined with pressure arising from cash dividend payments increase the likelihood of material errors and even fraudulent financial reporting. Under such conditions, management may use the flexibility available under accounting standards to improve reported earnings in the absence of effective preventive controls.

Furthermore, the likelihood of management override of internal controls or restrictions on the auditor's access to certain information may increase, potentially impairing financial reporting quality.

Scenario 17: Investment in Corporate Social Responsibility and Reduction in Dividends

In this scenario, the company adopts a new approach and allocates a substantial proportion of annual profits to corporate social responsibility projects, sustainable development, reduction of environmental pollutants, and improvement of employee working conditions. Consequently, cash dividends paid to shareholders decline compared with previous years. Although some shareholders are dissatisfied with the reduction in dividends, management believes that these investments will enhance the company's reputation, reduce long-term risks, and create sustainable value for stakeholders.

Under such circumstances, management's incentive to manipulate earnings in order to maintain dividend payments declines because the company's policy is based on long-term value creation rather than short-term benefits. Furthermore, implementation of corporate social responsibility programs may improve the company's relationships with clients, investors, and regulatory institutions and reduce external pressures. Nevertheless, costs associated with these projects must be appropriately recognized and disclosed to maintain the reliability of financial reporting.

Scenario 18: Intense Market Competition and Increasing Client Pressure

In this scenario, the industry in which the company operates is experiencing the entry of new competitors, declining profit margins, and increasing customer bargaining power. To continue their business relationships, clients demand price reductions, additional services, and long-term contracts with more stringent terms. Consequently, management is compelled to accept many of these requests in order to preserve market share, placing additional pressure on profitability.

Continuation of this trend constrains the company's financial resources while simultaneously increasing shareholder expectations regarding the maintenance of cash dividends. Such circumstances may strengthen management's incentive to improve the apparent financial performance of the company through optimistic estimates or changes in the timing of recognition of certain accounting items. Furthermore, greater dependence on competitive contracts may intensify collection risk, reduce cash flows, and increase uncertainty regarding the company's future.

Scenario 19: Detection of Evidence of Earnings Management and Pressure to Preserve the Market Value of Shares

In this scenario, while auditing the financial statements, the auditor encounters evidence that strengthens the likelihood that earnings management has occurred. Preliminary examinations indicate that certain revenues have been recognized prematurely and some expenses have been deferred to subsequent periods. At the same time, management argues that a reduction in reported earnings would result in a substantial decline in the share price, undermine investor confidence, and make financing future projects more difficult, and therefore asks the auditor to exercise greater flexibility in the assessment.

Scenario 20: Desirable Future—A Balance Among Dividend Policy, Client Pressure, and Auditors' Professional Judgment

In this scenario, the company has successfully established an appropriate balance among shareholder expectations, client demands, and corporate governance requirements. The dividend policy is determined according to the company's actual profitability and cash-flow capacity, while impulsive decisions intended to satisfy shareholders in the short term are avoided. The company also maintains a diversified customer portfolio,

effective internal controls, an independent audit committee, and intelligent financial information management systems that enhance transparency and information reliability.

Under these conditions, management has little incentive to engage in earnings management or manipulate financial information because the company's success is founded on sustainable growth, long-term investment, and maintaining stakeholder trust. Balanced relationships with clients reduce external pressures, while shareholders, recognizing the company's long-term interests, accept a moderate dividend policy. Consequently, the company's financial decision-making environment becomes more stable and the quality of financial reporting improves.

A review of the research literature, interviews with experts, and analysis of specialized documents resulted in the identification of 35 initial drivers that could influence the future of auditors' professional judgment. These drivers were classified into five dimensions: economic, professional, organizational, technological, and environmental. The results are presented in Table 1.

Table 1. Initial Drivers

No.	Description
1	Dividend policies
2	Client pressure
3	Auditor independence
4	Internal controls
5	Corporate governance
6	Earnings quality
7	Liquidity
8	Financial leverage
9	Ownership structure
10	Ownership concentration
11	Shareholder pressure
12	Client dependence
13	Market competition
14	Inflation
15	Economic recession
16	Stock exchange regulations
17	Auditing standards
18	Professional ethics
19	Auditor experience
20	Industry specialization
21	Artificial intelligence
22	Data analytics
23	Information technology
24	Audit committee
25	Information transparency
26	Business risk
27	Fraud risk
28	Earnings management
29	Firm size
30	Profitability
31	Cash flow
32	Corporate social responsibility
33	Organizational culture
34	Disclosure adequacy
35	Operational risk

To identify the most influential factors, a Delphi questionnaire was administered to the experts. The criterion for accepting a driver was a mean score greater than 3.5 and agreement among more than 70% of the experts. Following two Delphi rounds, the number of drivers was reduced from 35 to 20 key drivers. The screening results are presented in Table 2.

Table 2. Screening Results

No.	Description	Mean	Result
1	Dividend policies	4.93	Accepted
2	Client pressure	5.56	Accepted
3	Auditor independence	4.22	Accepted
4	Internal controls	4.96	Accepted
5	Corporate governance	4.65	Accepted
6	Earnings quality	4.04	Accepted
7	Liquidity	3.18	Excluded
8	Financial leverage	3.07	Excluded
9	Ownership structure	3.16	Excluded
10	Ownership concentration	5.96	Accepted
11	Shareholder pressure	3.65	Excluded
12	Client dependence	5.01	Accepted
13	Market competition	2.99	Excluded
14	Inflation	3.94	Accepted
15	Economic recession	2.67	Excluded
16	Stock exchange regulations	4.61	Accepted
17	Auditing standards	1.89	Excluded
18	Professional ethics	4.17	Accepted
19	Auditor experience	2.05	Excluded
20	Industry specialization	2.33	Excluded
21	Artificial intelligence	5.46	Accepted
22	Data analytics	5.55	Accepted
23	Information technology	2.60	Excluded
24	Audit committee	5.64	Accepted
25	Information transparency	1.62	Excluded
26	Business risk	1.71	Excluded
27	Fraud risk	4.79	Accepted
28	Earnings management	3.02	Excluded
29	Firm size	2.33	Excluded
30	Profitability	5.21	Accepted
31	Cash flow	2.01	Excluded
32	Corporate social responsibility	5.91	Accepted
33	Organizational culture	5.87	Accepted
34	Disclosure adequacy	2.47	Excluded
35	Operational risk	3.95	Accepted

To determine the most influential factors shaping the future of auditors' professional judgment, the confirmed drivers were evaluated according to two criteria: importance and uncertainty. The findings demonstrated that the factors were not equally important and that some, in addition to being highly important, exhibited considerable uncertainty, making them particularly suitable for scenario planning.

Table 3. Ranking of Drivers

No.	Driver	Importance	Uncertainty
1	Dividend policies	4.89	4.80
2	Client dependence	4.93	4.88
3	Stock exchange regulations	4.82	4.28
4	Professional ethics	4.80	4.19
5	Corporate governance	4.57	4.51
6	Operational risk	4.71	4.34
7	Auditor independence	4.69	4.11
8	Liquidity	4.63	4.05
9	Ownership concentration	4.11	4.04
10	Earnings quality	4.45	4.01
11	Internal controls	4.65	3.99
12	Data analytics	4.25	3.97
13	Inflation	3.99	3.95
14	Audit committee	4.05	3.91
15	Client pressure	4.11	3.89
16	Organizational culture	4.66	3.84
17	Fraud risk	4.23	3.82
18	Artificial intelligence	4.91	3.78
19	Corporate social responsibility	4.77	3.75
20	Profitability	4.23	3.71

Following the identification and screening of influential drivers, the next step in the futures research process involved analyzing the interrelationships among these drivers. The purpose of cross-impact analysis is to determine the degree of influence and dependence of each factor relative to the other factors in the system. The MICMAC structural analysis approach was employed in this study because it facilitates the identification of key drivers, dependent factors, independent factors, and regulatory variables. The results are presented in Table 4.

Table 4. Results of Cross-Impact Analysis (MICMAC)

No.	Driver	Influence	Dependence	Classification
1	Client pressure	92	48	Key driver
2	Dividend policies	89	51	Key driver
3	Internal controls	74	63	Linkage driver
4	Auditor independence	71	66	Linkage driver
5	Client dependence	68	68	Linkage driver
6	Stock exchange regulations	66	71	Linkage driver
7	Professional ethics	69	70	Linkage driver
8	Ownership concentration	70	61	Linkage driver
9	Corporate governance	68	59	Regulatory driver
10	Data analytics	67	58	Regulatory driver
11	Inflation	69	56	Regulatory driver
12	Audit committee	63	57	Regulatory driver
13	Corporate social responsibility	60	59	Regulatory driver
14	Profitability	70	60	Regulatory driver
15	Artificial intelligence	61	46	Independent driver
16	Earnings quality	42	88	Dependent driver
17	Fraud risk	39	91	Dependent driver
18	Operational risk	38	90	Dependent driver
19	Liquidity	34	89	Dependent driver
20	Organizational culture	33	87	Dependent driver
—	Auditors' professional judgment	36	95	Final dependent variable

At this stage, the cross-impact matrix was developed based on expert judgments. The experts assessed the effect of each driver on the other drivers using a scale ranging from zero to three, where zero indicated no effect, one represented a weak effect, two represented a moderate effect, and three represented a strong effect. The row and column scores were then summed, and the position of each driver within the influence–dependence space was determined.

The analysis revealed that “client pressure” and “dividend policy” exerted the greatest influence on the other factors while simultaneously displaying substantial levels of uncertainty. In contrast, variables such as earnings quality, fraud risk, and auditors’ professional judgment were more strongly affected by other factors and were therefore classified as dependent variables. The structural analysis indicates that client pressure and dividend policy possess the greatest influence within the system. These two variables not only directly affect management decisions but also influence auditors’ professional judgment indirectly through their effects on earnings quality, internal controls, earnings management, and fraud risk. Consequently, changes in either of these factors can fundamentally alter the future of the auditing profession and the quality of financial reporting. In contrast, variables such as earnings quality, fraud risk, operational risk, liquidity, organizational culture, and auditors’ professional judgment exhibit the highest levels of dependence on other factors. This finding indicates that these variables are predominantly consequences of the performance of other drivers rather than primary causes of change; therefore, improving them requires modification of the underlying factors. The findings also showed that internal control quality, auditor independence, client dependence, stock exchange regulations, professional ethics, and ownership concentration belong to the linkage-variable category, meaning that they are both affected by other factors and exert influence on other variables. This characteristic highlights their particular importance in designing forward-looking strategies to enhance audit quality.

Following the structural analysis, the drivers were classified according to the two criteria of “importance” and “uncertainty.” The objective of this stage was to identify factors that are not only highly influential but whose future trajectories are also associated with considerable uncertainty, because such factors constitute the principal basis for scenario planning. Examination of the findings showed that the drivers do not have equal value from a futures research perspective. Some factors, despite being highly important, have relatively predictable future trajectories. Conversely, other factors combine high importance with substantial uncertainty, thereby qualifying as critical uncertainties. The results of the importance–uncertainty matrix are presented in Table 5.

Table 5. Results of the Importance–Uncertainty Matrix

Driver	Importance	Uncertainty	Status
Client pressure	4.96	4.88	Highly critical
Dividend policies	4.93	4.84	Highly critical
Internal controls	4.82	4.28	Important
Auditor independence	4.80	4.19	Important
Corporate governance	4.69	4.11	Important
Artificial intelligence	4.57	4.51	Uncertain
Client dependence	4.49	4.49	Uncertain
Stock exchange regulations	4.55	4.45	Uncertain
Professional ethics	4.57	4.48	Uncertain
Ownership concentration	4.53	4.39	Uncertain
Data analytics	4.50	4.41	Uncertain
Inflation	4.46	4.44	Uncertain
Audit committee	4.41	4.47	Uncertain
Earnings quality	4.63	3.89	Stable

Fraud risk	4.71	3.97	Stable
Corporate social responsibility	4.70	3.98	Stable
Profitability	4.73	3.91	Stable
Operational risk	4.74	3.88	Stable
Liquidity	4.69	3.95	Stable
Organizational culture	4.65	3.91	Stable

Based on the findings, the two factors “intensity of client pressure” and “type of dividend policy” were positioned in the high-importance/high-uncertainty quadrant. Accordingly, these two variables were selected as critical uncertainties. The selection of these two factors is also fully consistent with the central focus of the study because both directly influence auditors’ professional judgment, while their future trajectories are affected by economic conditions, market structure, shareholder expectations, and environmental developments.

Following the structural analysis of the drivers and examination of the importance–uncertainty matrix, the two drivers that both exerted the strongest influence on the future of auditors’ professional judgment and exhibited the highest levels of uncertainty were selected as the critical uncertainties. These factors were the intensity of client pressure and the type of dividend policy. The selection was based on the premise that changes in either factor can directly and indirectly affect management behavior, financial reporting quality, the likelihood of earnings management, audit risk, and ultimately auditors’ professional judgment. Expert assessments further indicated that the future trajectories of these two variables are influenced by economic conditions, regulatory changes, capital market structure, shareholder expectations, and developments in corporate governance practices, thereby giving rise to the potential for different future states. Accordingly, the horizontal axis of the scenario matrix represented the intensity of client pressure, whereas the vertical axis represented the type of dividend policy. The combinations of different states of these two variables formed the basis for designing the study’s future scenarios. The selection of the two critical uncertainties is presented in Table 6.

Table 6. Design of Schwartz’s Scenario Planning Matrix

Dividend Policy	Low Client Pressure	High Client Pressure
High dividend payout	Market-Driven Scenario	Critical Scenario
Low dividend payout	Desirable Scenario	Adaptive Scenario

A. Critical Scenario

In this situation, the company simultaneously faces intense client pressure and an aggressive dividend policy. These conditions create the highest likelihood of earnings management, increased fraud risk, deterioration in financial reporting quality, and elevated audit risk. The auditor is therefore expected to exercise the highest degree of professional skepticism and expand the scope of audit procedures.

B. Market-Driven Scenario

In this situation, although the company pays high cash dividends, client pressure remains limited. Management’s primary incentive for presenting favorable performance is therefore maintaining the market value of the company’s shares and satisfying investors. Consequently, audit risk is lower than in the critical scenario, although the possibility of earnings management remains.

C. Adaptive Scenario

In this situation, the company has adopted a conservative dividend policy, but intense client pressure has reduced profit margins and increased operational risk. Management focuses primarily on retaining financial

resources in order to preserve clients and maintain the company's operations. In this scenario, business risk is high, although management's incentive to manipulate earnings is lower than in the critical scenario.

D. Desirable Scenario

In this scenario, the company adopts a balanced dividend policy, has limited dependence on particular clients, and benefits from an appropriate corporate governance structure, effective internal controls, and information transparency. These conditions provide the most favorable environment for independent auditor judgment and minimize the likelihood of material misstatement.

To analyze potential futures more precisely, the 20 scenarios developed in the present study were classified into four principal groups according to the intensity of client pressure and the type of dividend policy. The results of positioning the developed scenarios within the matrix are presented in Table 7.

Table 7. Results of Positioning the Developed Scenarios Within the Matrix

Group	Scenarios
Critical	1, 3, 6, 7, 9, 10, 11, 16, 18, 19
Market-driven	5, 12, 14
Adaptive	4, 13, 15, 17
Desirable	2, 8, 20

Examination of the scenario classification indicates that the largest number of scenarios fall within the critical-scenario category. This finding suggests that the experts consider the continuation of economic pressures, corporate dependence on major clients, increasing shareholder expectations, and the persistence of aggressive dividend policies to be among the most important future threats to financial reporting quality and auditors' professional judgment. In contrast, only three scenarios were classified within the desirable-future category. Their common characteristics include sound corporate governance, strong internal controls, the adoption of emerging technologies, and balanced dividend policies. This finding indicates that achieving a desirable future requires structural reforms in corporate governance systems and the enhancement of professional culture within the auditing profession.

After developing the 20 research scenarios, each scenario was evaluated in terms of its impact on financial reporting quality, audit risk, the likelihood of earnings management, and auditors' professional judgment. The results indicated that the intensity of client pressure and the type of dividend policy play a decisive role in shaping alternative futures for the auditing profession. Scenarios characterized simultaneously by high client pressure and an aggressive dividend policy created the highest level of risk for the auditing profession. In these scenarios, the likelihood of earnings management, deterioration in financial reporting quality, increased fraud risk, and reduced reliability of financial statements was estimated to be higher than under other conditions. In contrast, scenarios based on sound corporate governance, effective internal controls, customer diversification, and a balanced dividend policy depicted the most desirable future for enhancing the quality of auditors' professional judgment. The scenario analysis also demonstrated that merely reducing client pressure or changing the dividend policy alone does not guarantee an improvement in the quality of professional judgment. Rather, the future of the auditing profession is shaped by the simultaneous interaction of managerial factors, control structures, auditor independence, corporate governance quality, and environmental conditions. Accordingly, the futures research approach enables decision-makers to consider not only current circumstances but also the consequences of their decisions across alternative future conditions. To determine the desirability and likelihood of occurrence of each scenario, the experts were

asked to evaluate each scenario using two indicators, “likelihood of occurrence” and “desirability,” on a five-point scale. The results are presented in the following table.

Table 8. Ranking of the Scenarios

Scenario	Likelihood of Occurrence	Desirability	Final Rank
1	4.71	2.14	18
2	3.65	4.814	3
3	4.56	2.36	17
4	3.92	4.53	5
5	4.18	3.87	9
6	4.63	2.08	19
7	4.48	2.14	16
8	4.11	4.89	2
9	4.52	2.29	15
10	4.39	2.65	14
11	4.35	2.58	13
12	3.88	4.12	8
13	3.96	4.47	6
14	3.91	4.05	7
15	4.07	3.76	10
16	4.68	1.94	20
17	3.84	4.31	4
18	4.44	2.53	12
19	4.61	2.19	11
20	4.26	4.96	1

According to the results presented in Table 8, Scenario 20, with a mean desirability score of 4.96, achieved the highest rank and was selected as the most desirable future scenario of the study. This scenario emphasizes effective corporate governance, strong internal controls, auditor independence, customer diversification, a balanced dividend policy, and the adoption of emerging technologies. In contrast, Scenario 16 received the lowest desirability rating from the experts because of weak internal controls, financial pressures, and an increased likelihood of earnings management. Regarding the likelihood of occurrence, the experts believed that scenarios characterized by high client pressure and aggressive dividend policies were more likely than the other scenarios, given prevailing economic conditions and the current organizational structures of many companies. This finding indicates that although the desirable future is attainable, achieving it requires structural reforms in corporate governance, control systems, and professional culture.

Based on the research findings, the futures facing the auditing profession can be classified into three principal categories:

Probable Future: In the probable future, client pressure will remain at a relatively high level, and many companies will continue to pursue relatively aggressive dividend policies in order to maintain the market value of their shares. Under such circumstances, auditors will face increased fraud risk, greater complexity in risk assessment, and the need to expand the scope of audit procedures.

Possible Future: In the possible future, some companies will reduce a portion of existing pressures through gradual reforms in governance structures, strengthening internal controls, and adopting more balanced dividend policies. Under these conditions, financial reporting quality will improve; however, substantial differences among companies will remain in terms of transparency and the quality of internal controls.

Desirable Future: The desirable future will be realized when dividend policies are determined on the basis of companies' actual financial capacity, cash flows, and investment plans; companies' dependence on a limited number of clients is reduced; corporate governance is strengthened; and emerging technologies are widely adopted in accounting and auditing processes. Under these conditions, auditor independence will be strengthened, the likelihood of earnings management will decline, and financial reporting quality will reach a desirable level.

4. Discussion and Conclusion

Professional judgment constitutes one of the central foundations of auditing because many audit decisions cannot be reduced to mechanical applications of standards, checklists, or predetermined procedures. Auditors are repeatedly required to evaluate ambiguous evidence, estimate the likelihood of material misstatement, assess management representations, determine the sufficiency and appropriateness of audit evidence, and decide whether identified issues require additional procedures or modifications to the audit report. These judgments are made within organizational, contractual, economic, and interpersonal environments in which several competing interests operate simultaneously. Consequently, auditors' professional judgment is not formed in isolation; rather, it is shaped by the interaction of professional standards, individual characteristics, organizational incentives, client relationships, governance mechanisms, and broader market conditions. Recent developments in auditing research increasingly emphasize that understanding audit quality requires close attention to the contextual forces that shape auditors' judgments and actions rather than focusing exclusively on formal auditing requirements [1, 2].

The importance of professional judgment has become even more pronounced as financial reporting systems have grown increasingly complex. Contemporary organizations operate within environments characterized by sophisticated transactions, greater use of estimates and fair values, increasing technological dependence, changing regulatory expectations, and heightened demands for transparency. Under these conditions, auditors must interpret not only accounting information but also the economic substance of transactions and the incentives underlying managerial choices. Evidence from research on key audit matters demonstrates that auditor reporting can provide important insights into areas requiring substantial professional judgment and can reveal the issues that auditors regard as especially complex or risky [1]. This perspective highlights the importance of examining the conditions under which professional judgment may be strengthened, constrained, or redirected by external and internal pressures.

Audit quality is also closely connected to the broader monitoring function performed by auditors. From a corporate governance perspective, auditing reduces information asymmetry between managers, shareholders, creditors, and other stakeholders by providing independent assurance concerning the reliability of financial information. The demand for monitoring becomes particularly significant when organizational structures create stronger agency conflicts or when stakeholders have limited direct access to managerial decision-making processes [3]. Accordingly, the auditor's ability to exercise independent professional judgment is not merely an individual professional attribute but an important component of governance architecture. When auditor judgment is impaired by economic dependence, client pressure, incentive systems, or inappropriate managerial influence, the effectiveness of the monitoring mechanism may also deteriorate.

One of the most important challenges in this regard is the auditor–client relationship. Auditing necessarily requires extensive interaction with client management, because auditors depend on organizational personnel for explanations, documents, estimates, access to systems, and responses to identified issues. At the same time, this interaction can generate pressures that affect professional skepticism and judgment. Client managers may attempt

to influence the timing, scope, interpretation, or resolution of audit issues, particularly when audit findings threaten reported earnings, contractual outcomes, management compensation, or market perceptions. Experimental and behavioral auditing research has shown that the nature of communication between auditors and clients can influence skeptical behavior and the way auditors pursue potentially contentious issues [4]. The structure of auditor–client interaction therefore represents an important behavioral dimension of audit quality.

The complexity of these interactions has led researchers to examine not only whether client pressure exists, but also how auditors respond to different forms of client behavior. Evidence indicates that auditors' judgments and subsequent actions do not always respond consistently when client managers behave in an uncooperative manner, suggesting that professional judgment can diverge from behavioral follow-through under conditions of interpersonal pressure [2]. Such findings are especially important because the effectiveness of an audit depends not only on an auditor recognizing a risk but also on acting appropriately in response to that recognition. An auditor may identify a questionable accounting treatment but still reduce the extent of challenge, documentation, or negotiation when confronted with strong client resistance. Accordingly, examining client pressure as a driver of future audit judgments is essential for understanding the sustainability of auditor independence and professional skepticism.

The manner in which auditor–client interactions are studied also requires methodological attention. Research has noted that experimental settings may simplify or constrain naturally occurring interaction patterns between auditors and clients, potentially affecting conclusions regarding negotiation, communication, and skeptical behavior [5]. Related methodological research emphasizes the need for careful validation of experimental manipulations and warns against assuming that intended psychological or behavioral manipulations necessarily operate as designed [6]. These concerns reinforce the value of complementary research designs capable of examining audit judgment in more complex and forward-looking settings. Scenario-based research and futures-oriented approaches are particularly useful in this context because they permit researchers and experts to consider combinations of financial, organizational, technological, and environmental conditions rather than isolating individual variables.

Among the financial factors that may interact with client pressure, dividend policy is especially important. Dividend decisions influence the distribution of corporate resources between shareholders and retained financing and therefore affect liquidity, investment capacity, external financing needs, and expectations regarding future profitability. Once a company establishes a pattern of relatively high or stable dividend payments, shareholders may interpret changes in those payments as signals concerning financial performance and management expectations. Consequently, management may face pressure to preserve dividend levels even when operating conditions deteriorate. Research examining investor pressure and dividend policy indicates that investor expectations can play a meaningful role in shaping corporate payout decisions [7]. This suggests that dividend policy is not simply a mechanical allocation of profits but can become a source of managerial pressure with implications for financial reporting behavior.

When dividend expectations cannot easily be supported by operating cash flows or sustainable profitability, management may have incentives to influence reported accounting outcomes. These incentives can take the form of income smoothing, optimistic estimates, accelerated revenue recognition, delayed expense recognition, or other forms of earnings management. Research on income smoothing has linked financing considerations and auditor judgment to the financial reporting choices of firms with different investment opportunities, indicating that financing needs and reporting incentives can interact with the auditor's evaluative role [8]. Therefore, dividend

policy may affect auditors indirectly by changing management's incentives to achieve particular earnings targets and directly by influencing the auditor's assessment of financial reporting risk, liquidity constraints, and management bias.

The interaction between economic incentives and audit judgment becomes even more significant when client pressure is simultaneously present. A company attempting to maintain a high dividend payout while also facing demands from major customers for discounts, better contractual terms, higher service quality, or extended credit conditions may experience significant pressure on margins and cash flows. Such conditions can create incentives to present more favorable financial results, thereby increasing the risk of aggressive accounting choices. Recent experimental research provides direct evidence that performance-based profit-sharing arrangements and client pressure can affect auditors' pre-negotiation judgments, demonstrating how incentive structures and client influence may jointly shape auditors' assessments before formal negotiation begins [9]. This interaction is particularly relevant to the present study because it suggests that dividend-related financial incentives and client pressure should not be examined as entirely separate determinants of audit judgment.

Audit firms' own compensation and incentive systems also form part of this broader environment. The behavior of auditors may be influenced not only by pressures originating from client management but also by the economic policies of the audit firms in which they work. Research has found associations between audit firms' compensation policies and audit quality, highlighting the possibility that internal reward structures can affect professional behavior and engagement outcomes [10]. Accordingly, professional judgment should be understood as the result of a multi-level system in which individual auditors operate within audit firms that themselves face profitability concerns, client-retention incentives, reputational considerations, and regulatory scrutiny. This broader perspective is important when considering how future changes in market competition or client dependence may alter auditing practices.

Individual characteristics may moderate the effects of external pressures as well. For example, research examining emotional intelligence in the context of time-budget pressure, client pressure, and auditors' judgment has suggested that auditors' personal and psychological capabilities may influence how they respond to demanding professional situations [11]. This line of research implies that the same level of client pressure may not produce identical judgments across auditors. However, relying solely on individual resilience or competence is unlikely to provide an adequate response to systemic pressures. Organizational governance, professional standards, audit firm policies, and internal controls are therefore necessary to create institutional conditions that support appropriate judgment even when auditors face strong economic or interpersonal pressures.

Financial reporting quality also has implications extending beyond traditional audit outcomes. Contemporary reporting systems increasingly integrate financial, governance, environmental, and strategic information, thereby expanding both the scope of corporate accountability and the demands placed on assurance providers. Research on the relationship among integrated reporting, audit quality, and tax aggressiveness indicates that reporting architecture and audit quality interact with broader managerial strategies concerning transparency and aggressive financial behavior [12]. Similarly, evidence concerning auditor certification reform and tax aggressiveness demonstrates that changes in auditors' knowledge, risk awareness, and professional environment can affect corporate reporting behavior beyond conventional financial statement auditing [13]. These findings indicate that changes in audit judgment can have wider implications for organizational governance and financial conduct.

Another important dimension involves the consequences of weaknesses in financial reporting and audit engagement processes. Restatements are among the clearest observable signals that previously issued financial

information contained errors or misstatements requiring correction. Recent research on interim restatements and audit engagements highlights the connection between reporting failures and audit-related processes, reinforcing the importance of identifying circumstances that may increase the probability of misstatement before corrective action becomes necessary [14]. In a context where management simultaneously faces shareholder expectations, dividend commitments, client dependence, and operating pressure, auditors must make judgments about whether reported results faithfully represent economic conditions or reflect opportunistic adjustments. Therefore, anticipating the conditions under which audit risk may intensify has practical value for audit firms, regulators, boards, and audit committees.

Corporate governance can mitigate many of these risks. Effective boards, independent audit committees, robust internal controls, clear accountability mechanisms, and transparent reporting systems can constrain opportunistic managerial behavior while strengthening auditor independence. Strong governance can also reduce the ability of dominant shareholders or influential managers to exert inappropriate pressure on the accounting function or external auditor. The monitoring perspective suggests that governance and auditing operate as complementary mechanisms, and the effectiveness of external audit depends partly on the institutional structures within which auditors operate [3]. When these structures are weak, even technically competent auditors may face difficulties in resisting persistent client influence.

Technological developments add another layer of uncertainty to the future of professional judgment. Artificial intelligence, advanced data analytics, automated controls, and digital audit tools increasingly enable auditors to examine larger populations of transactions, detect unusual patterns, and identify anomalies that may not be apparent through conventional sampling methods. At the same time, greater technological sophistication may alter how auditors gather evidence, communicate with clients, and allocate professional attention. Research on computer-mediated auditor–client communication already demonstrates that communication technologies can influence skeptical behavior [4]. As artificial intelligence and data-driven audit procedures become more pervasive, the relationship between technology and judgment is likely to become increasingly important. Technology may strengthen professional judgment by improving access to evidence, but it may also create new risks involving overreliance on automated outputs, insufficient understanding of models, and changes in the nature of auditor–client interaction.

These developments indicate that the future of auditors' professional judgment cannot adequately be understood through a static analysis of isolated variables. Client pressure, dividend policy, ownership structure, shareholder expectations, governance quality, internal controls, audit firm incentives, technological developments, regulatory changes, and broader economic conditions can interact in ways that produce substantially different future environments. For example, intense client pressure may be particularly damaging when corporate governance is weak, but its effects may be moderated when audit committees are independent and internal controls are effective. Similarly, an aggressive dividend policy may create strong incentives for earnings management during periods of declining cash flows, whereas the same policy may produce lower reporting risk in a highly profitable firm with diversified customers and strong governance. A futures research framework is therefore appropriate for investigating these interdependencies because it focuses on plausible alternative configurations of influential drivers rather than assuming that present relationships will remain unchanged.

Scenario planning provides a systematic means of addressing such complexity and uncertainty. Rather than generating a single deterministic prediction, scenario planning identifies key drivers, evaluates their importance and uncertainty, and constructs internally coherent alternative futures based on different combinations of critical

conditions. This approach is particularly useful in auditing because future professional judgment is likely to be shaped by interacting economic, organizational, regulatory, technological, and behavioral factors. By comparing alternative scenarios, researchers can identify conditions associated with greater audit risk as well as configurations that may support independence, skepticism, and high-quality financial reporting. Such an approach also has practical value for regulators, audit firms, audit committees, and corporate decision-makers because it enables them to evaluate the potential long-term consequences of current governance and financial policies before risks become fully observable.

The existing literature has generated valuable evidence concerning client pressure and auditor judgment [2, 9, 11], auditor–client communication and skeptical behavior [4, 5], audit firm incentives and audit quality [10], dividend policy and investor pressure [7], financing incentives and income smoothing [8], professional judgment and key audit matters [1], reporting quality and audit-related outcomes [12, 14], and developments affecting auditors’ monitoring and risk-assessment roles [3, 13]. Methodological research has also emphasized the importance of carefully designing behavioral studies and interpreting evidence concerning auditor–client interactions [6]. Nevertheless, these research streams have generally examined particular relationships or specific mechanisms rather than integrating dividend policy, client pressure, governance conditions, technological developments, and professional judgment within a coherent futures-oriented framework.

This gap is important because the auditing environment is characterized by both structural interdependence and uncertainty. The effects of dividend policy on auditor judgment may depend on client concentration, liquidity, ownership structure, governance quality, and market conditions. Likewise, the effects of client pressure may vary according to auditor independence, audit committee effectiveness, organizational culture, and technological capabilities. Consequently, identifying the most influential drivers and examining their cross-impacts can provide a more comprehensive understanding of how professional judgment may evolve. A scenario-based futures approach can also distinguish between probable, possible, critical, and desirable futures, thereby extending the literature beyond explanations of existing behavior toward the systematic consideration of emerging risks and strategic responses.

Accordingly, the aim of this study is to develop and analyze future scenarios concerning the effects of dividend policy and client pressure on auditors’ professional judgment by identifying and prioritizing key drivers, assessing their cross-impacts and critical uncertainties, and determining the conditions associated with probable, possible, critical, and desirable futures for audit quality and financial reporting.

Authors’ Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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