Stories vs. Statistics: The Impact of Anecdotal Data on Accounting Decision Making

Description

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March 12, 2010 Download pdf copy

Abstract:
Prior research in psychology and communications suggests that decision makers are biased by anecdotal data, even in the presence of more informative statistical data. A bias for anecdotal data can have significant implications for accounting decision making since judgments are often made when both statistical and anecdotal data are present. We conduct experiments in two different accounting contexts (i.e., managerial accounting and auditing) to investigate whether accounting decision makers are unduly influenced by anecdotal data in the presence of superior, and contradictory, statistical data. Our results suggest that accounting decision makers ignored or underweighted statistical data in favor of anecdotal data, leading to suboptimal decisions. In addition, we investigate whether two decision aids, judgment orientation and counterargument, help to mitigate the effects of this anecdotal bias. The results indicate that both decision aids can reduce the influence of anecdotal data in accounting decision contexts. The implications of these results for decision making in accounting and auditing are discussed.

Tags

1. Most Significant Change (MSC)
2. qualitative
3. statistics

Date
18/10/2026
Date Created
14/05/2010
Author
admin