ETHICAL MODELLING OF THE ACCOUNTING PROFESSION BASED ON THE VALUE JUDGEMENTS OF ROMANIAN ACCOUNTING PROFESSIONALS

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Abstract

There is a great contrast between the real role of accounting and its public perception. Accounting can be regarded as the language of business operations, but it is also the representative and manipulator of corporate operations and culture. The major challenge of accounting is whether it allows the most honest and knowledgeable managers to make outstanding reporting decisions while preventing the others at the other side of the honesty competence scale from distorting what they know about their company.

This study presents the results of the authors’ empirical research about the opinions of accounting practitioners in Romania on the values, career opportunities and ethical behaviour of the profession. The findings are interpreted at the various levels of accounting professions (administrators, accountants, auditors) by the number of years spent in accounting and groups of internal and external colleagues, focusing on the causal relations. The conclusions are drawn through structural-equations based causal models by qualification of accounting professionals and time spent by them in their jobs.

Implications for Central European audience: The paper is examining the role and ethics of accountants within the small and medium sized sector. In Central Europe, we have a similar cultural and historical background which might be touchable even the business environment. Accountants influence how business works and what is disclosed about it. For the aim of clear view, accountants must behave ethical, and they have to learn about business ethics, and professional ethical topics.

Keywords: accounting; profession; ethics
JEL Classification: M16, M41, I23
Introduction

The Enron scandal has been the most significant corporate downfall in the United States since the bankruptcy of many savings and lending banks in the 1980s. This scandal has demonstrated the need for major reforms in accounting and corporate governance in the United States and provides an insight into the ethical quality of business culture in general and business ethics in particular around the world (Liu et al., 2012).

In a highly competitive environment, it is very important for companies to create a good impression about themselves. Companies generally seek to improve data. In the last few decades, however, there were also examples (especially in the United States) of companies using questionable tools to present themselves more favourable than their real states. Some examples of cases revealed that many – seemingly very prosperous – companies have seriously violated accounting rules. The market has lost its trust in these companies, which have suffered huge losses or simply went bankrupt.

The questionability of the auditors’ independence was a source of concern. Healthy practice occurs when auditors do not perform other services (such as counselling) for the audited company. The independence of board members needs to be ensured, and conflict of interest should be avoided.

In a constantly changing competitive environment, businesses need to find new ways to meet competition, unlike traditional ways, offering better products or lower prices (Mc Murrian & Matulich, 2006). It is important to note that modern businesses employ people who have fragmented backgrounds in terms of nationality, culture, religion, age, qualification and socio-economic status. All of these people come to the workplace with different values, goals and different perceptions of acceptable behaviour. This difference in backgrounds is an ethical challenge for both individuals and managers (Abiodun & Oyeniyi, 2014).

1 General questions of ethics, the importance of ethical behaviour and the content of business ethics

Ethics refers to a system of moral principles or behavioural rules involving doing good things correctly (Okafor, 2011). According to Majtaba (2011), ethics is a part of philosophy that, in theory, rationally and reliably separates good from evil, right from wrong, moral from immoral, true from false in terms of action and behaviour. Ethical behaviour means doing what is morally right (Okafor, 2011). According to Abiodun and Oyeniyi (2014), it is based on the broad principles of integrity, transparency, accountability, responsibility and righteousness while focusing on internal concerns such as product quality, customer satisfaction, wages and benefits of employees, the local community and environmental responsibility. Ethics can also be seen as a set of moral values and principles that guide action and behaviour (Emerson, 2009). Ethics is the discipline that deals with what is good and bad, having regard to moral obligations.

The rules of ethical behaviour generally attempt to give guidance to human behaviour that will protect society and its members. Bucholz (2003) believes that ethics provides values, principles and standards that help people determine how to do things.
Ethical practice is a conscious adaptation to the standard of morality that guides the individual and the business by requiring certain behavioural standards that people follow within and outside the organisation (Ononogbo & Joel, 2016). Unethical business practices as such reflect values, attitudes, beliefs and behavioural patterns of organisational culture. According to Abiodun and Oyeniyi (2014), business decisions and behaviour can be considered ethical or unethical, depending on whether the decisions and actions promote or threaten the values and standards of individuals and the society in which the business operates. However, ethical standards are not static ideals but dynamic patterns of human behaviour. Ethical standards are, therefore, the product of a process that defines and clarifies the content and nature of human interactions.

It is obvious that, for a number of reasons, employees and managers are not prepared to deal with ethical challenges, and therefore they may not perceive ethical issues in the operating environment. Starting from a normative perspective, the lack of moral awareness increases the risk that an individual behaves immorally and increases the chances of the improper handling of business ethics (Bryant, 2009). Consequently, moral awareness is the backbone of the individual sense of moral behaviour and ethical decision-making (Wiid et al., 2013). Engaging in ethical issues requires the consideration of the input of all stakeholders, as well as a multidisciplinary and multi-dimensional approach. Therefore, abilities such as honesty, willingness to cooperate, respect for others, willingness to be proud of someone’s work, ambition to learn, reliability, responsibility for someone’s actions, integrity and loyalty are critical (Abiodun & Oyeniyi, 2014).

It has been mentioned that ethics is based on moral values. Priority should be given to such values over human rationality, weakness, ego and personal errors (Putnam, 2016). These values include honesty, integrity, responsibility, quality, trust, authority, teamwork and leadership. Good ethics should be the most remarkable at the corporate summit, and all employees should be accountable under these rules. Therefore, everyone’s common goal will eventually be to build a strong, profitable business.

Business ethics is basically the study of morality and business behaviour standards, which also means applying ethics in business practice (Twomey & Jennings, 2011). This is simply the application of general ethical rules to business behaviour (Hodgeits & Luthans, 2003). According to Elbert and Griffin (2003), business ethics refers to the ethical or unethical behaviour of the organisation’s managers and employees, which varies per person and per culture.

Business ethics involves how a business integrates core values such as honesty, trust, authority and fairness into its own policies, practices and decision-making (Hellriegel et al., 2008). Rossouw and Van Vuuren (2004) claim that by identifying and implementing behavioural standards, business ethics will ensure that the business does not adversely affect the interest of its own stakeholders. In order for a business to be profitable today, its actions must be directed to appear ethical. That is why ethics is progressive with regard to the enforcement of morality, while morality can be derived from ethics.

1.1 The specifics of accounting ethics

Accounting ethics is primarily a field of applied ethics and is part of business ethics and human ethics, the study of moral values and judgements as they apply to accountancy. Due
to the diversity of accounting ethics, in the wake of recent corporate collapses, intense attention turned to the ethical standards adopted within the accounting profession. The corporate collapses have caused the reputation of the accounting profession to be weakened. In order to prevent criminal accounting practices in the future, various accounting organisations and governing bodies responded by tightening the regulatory framework and seeking remedy with improved ethical criteria.

The work performed by accounting professionals and auditors by nature requires high ethical standards. Shareholders, potential shareholders, and other users of financial reports rely heavily on the company’s annual financial statements as they use this information to make informed investment decisions.

The CPA organisations have separated five groups of ethical principles to be followed by their members: ‘independence, integrity, objectivity’; ‘competence and technical standards’; ‘responsibility towards clients’; ‘responsibility towards colleagues’, and also ‘other responsibilities and practices’.

Ethical non-compliance caused by accounting professionals can be destructive, leading to public distrust in society and causing a break in the effective operation of capital markets. Fraudulent accounting can occur for a number of reasons. These problems are usually made public and not only destroy companies, but also auditors because they do not reveal and disclose the false reports. Several studies have found that corporate culture and the values followed can negatively affect accounting behaviour (See, inter alia, Clikeman, 2003). This environment can contribute to the degradation of ethical values learned (or taken over) anywhere.

Accounting organisations have listed the nine most important factors contributing to the ethical misconduct of accounting professionals. These are: ‘self-interest, culpable lack of maintaining objectivity and independence, inadequate professional judgement, lack of ethical sensitivity, inadequate leadership and deteriorated corporate culture, lack of resistance to a helping threat, lack of competence, lack of organisational and impartial support, lack of support from a professional body’. The main factor is self-interest, the motivation of the accounting professional to act in their own interest, especially when a conflict of interest occurs. For example, if an auditor has a problem with an accounting item during the audit but receives a ‘financial incentive’ to ignore the item, the auditor may act unethically.

Ethical behaviour should be based on the most fundamental values of integrity, honour, truth and respect. However, in reality, human behaviour is different from these values. Ethics raises the very broad question of how one should live, or other types of questions may be asked related to our own behaviour, such as ‘what is good?’ and ‘what is bad?’ In ethics, loyalty to the simple moral principles of society is essential.

In practice, accounting is performed by individual business entities and institutions or practised by others for individual business entities. The aim is not only to reflect the impact of the decisions of people managing these entities but also to demonstrate the company’s potential. For qualified financial analysts, the statements and reports made by accounting professionals are important sources of knowledge about the various risk factors associated with the business entity. Managers of business entities and other internal stakeholders of the company need relevant information for decision-making.
The code of ethics of Enron company was based on respect, integrity, communication and excellence. These values can be described as Respect: treat others the way we want to be treated; abusive and disrespectful behaviour cannot be tolerated; integrity: facing and cooperating with customers and prospects openly and honestly; communication: we have a duty to communicate – we need to make time to communicate and listen to others; excellence: we can only be satisfied if we do our best.

If the code of conduct and the leadership commitment to business ethics was given, then why did Enron collapse so dramatically from 101 billion dollars in profit in 2000, rising to about 140 billion dollars in the first three quarters of 2001, and reaching the declaration of bankruptcy in December 2001? The answer to this question can be given as a combination of top management failures, a corporate culture that supports unethical behaviour, and the abetment of the investment banking community.iii

The actions of Enron’s executives led to the company’s collapse, which showed a lack of integrity, unrestrained ambitions, arrogance, and disregard for the consequences of their actions. The executives presented all the dysfunctional features that can be found in destructive leaders.iv

Since the Enron case, accounting companies have been focusing on reaffirming positive ethical behaviour. According to Cooper (2007),' the great lesson was the need for ethical errors never to happen again'. Accounting professionals agree the legislation is only part of the remedy. Guidry and Patten (2010) say that ‘greed or a tendency to sinful behaviour cannot be regulated’: for this reason, despite the regulation and control organisation that have been brought to life due to the Andersen case, they do not dispense from the need for effective risk management and the need for accounting professionals for companies.v

As a result of what happened to Enron and the subsequent SEC investigation, there have been many changes in the accounting industry that have tightened standards, made penalties more strict, and the accounting profession has become more credible.vi At first glance, these improvements seem to create more work for honest accounting professionals in the industry, who have done good things so far. The post-Enron plan initiated by President Bush aimed to make financial statements more informative. This plan included a higher level of financial responsibility for corporate top managers and accounting professionals (Schlesinger & Schroeder, 2002).

The Bush plan has criminalised senior management’s breach of responsibility in the context of the company’s operations. This could have given a new incentive for corporate management to ensure that everything is absolutely in order. The other changes could have varying degrees of impact in the accounting sector, but they were more positive in nature. The separation of auditing and consulting functions shifts the accounting sector to a great extent towards gaining credibility. This may have reduced the sense of lack of independence for auditors.

In the United States, financial statements can be made as accurately and faithfully as possible on the basis of the current GAAP system regulations. vii The Enron company has applied these rules and has also broken them to allow certain individuals within the company to raise funds from investment surpluses of shareholders. They achieved this by improperly swelling their balance sheet with increased asset value and spreading liabilities between corporate units.
that were not consolidated. According to other arguments are also in favour of principle-based standards (IFRS) against rule-based standards (GAAP). Enron followed the latter, but not in the spirit of the rules in terms of corporate components and thus the balance sheet liabilities.

As already mentioned, the most significant regulatory result of the post-Enron period was the Sarbanes-Oxley Act, which sought to curb Enron-type abuses. However, the impact of certain measures proved to be short-lived. Consultant business has remained attractive even in the years following the Enron scandal, especially for companies that have emerged from accounting firms. Behind the failure of the separation of auditing and consultancy functions, the serious economic interest of accounting and auditing firms is hidden.

1.2 The role of ethical education in enforcing standards

Studying international corporate collapses as a result of accounting problems, the IFAC (International Federation of Accountants) identified areas for internal improvements within the organisation and made suggestions for companies to develop more effective ethical rules in 2003. The organisation’s report (IFAC, 2013) suggested options for companies that improve training and support accounting professionals in managing ethical dilemmas more effectively.

Times following accounting scandals are challenging for accounting educators. The events that took place brought forward the importance of ethical behaviour in accounting practice and, therefore, the importance of including ethics in accounting training. In addition, the events have clearly demonstrated the need to inform students - as future accounting professionals and auditors - about the importance of ethics. However, it is obvious that ethics does not occupy such a prominent place in the classroom as it would be necessary. The study prepared by Pricewaterhouse Coopers (2003) states the following about the accounting curriculum: 'ethics is not consistent and integral part of education for accounting students'. Accounting instructors continue to enrich the knowledge base, and the curriculum includes more and more subjects. Conversely, less emphasis is placed on the results of ethical research and the shaping of the accounting curriculum to take into account the recent results of ethical research. All in all, it has never been a better time for accounting educators to increase time and effort in the classroom to teach ethics.

The Pricewaterhouse Coopers (2003) report warns accounting educators to increase the weight of opportunities that include ethics and ethical issues during training and classroom activities. Although many accounting instructors recognise the need to strengthen the ethics of future accounting professionals, there is a need and interest to increase the weight of ethics during lessons, but they are not well-trained in the underlying disciplines of ethics needed for teaching. Those accounting educators who are not familiar with ethical knowledge cannot be sure that ethics can be taught, where resources are available for curriculum development, or approaches that can be most effective in developing ethical reasoning for students.

The focus of ethical choices is largely due to the fact that ethical researches have examined the ethical decision-making of the individual, as well as factors that influence the development and/or resolution of the individual's decision-making process (Rest et al., 1999). Strong relationships have been formed between the ethical decision-making process of accounting professionals and their judgement by giving empirical support to the conformity of the ethical
justification process and their professional judgement. According to this, the area of ethics in accounting training often focuses not only on the outcomes of ethical decisions, i.e. whether the accounting professional did what is right but also on the process or solution that provides a basis for the decisions of accounting professionals (Thorne, 1998). Focusing on the decision-making process, as well as on the outcome of the decision, ethics research attempts to influence the professional judgement of future accounting professionals by raising dilemmas and situations that cannot be visualised yet.

The primary focus is on ethics teaching and accounting education, in accordance with their ethical responsibility – especially on the direction of changes that affect the current accounting curriculum as well as the teaching methods used. Accounting training should strive to ensure that accounting students are trained to face difficult situations and ethical dilemmas that are likely to occur regularly during their professional careers. In this sense, ethics is both knowledge that can be acquired through learning and daily practice that involves the application and development (even re-learning) of such knowledge and understanding.

In today’s training, accounting standards are taught by providing passive, non-contextual, uncritical knowledge of the content of standards and the application of different practical situations. There are two possibilities for the change: the first is the introduction of a new course unit, 'accounting ethics'. This would include an ethical code of conduct and its application in different situations. According to the second, ethics could be introduced as an integral part of many existing course units, ethical dimensions of different aspects of accounting and auditing. In this context, Wyatt (2004) suggested the following: 'the focus on ethical behaviour must be built in the accounting curriculum and cannot remain an annex of the auditing course'.

Separation attempts of auditor and other functions have allowed the representatives of accounting theory to make significant changes in the classrooms without introducing new subjects or leaving out old ones. These changes put new emphasis on accounting ethics and special purpose entities. Ethics has always played an important role in the accounting industry, but in recent years, ethics education within accounting subjects, despite the accumulation of audit errors, partly accounting professionals were held responsible. In some places, efforts have been made to incorporate ethics into the teaching process at all levels, from basic principles to advanced level. The main purpose of any change to the curriculum is to ensure that accounting students are better prepared to face ethical problems so that the Enron/Andersen affair will not be repeated in the future (Wei, 2002).

Under normal circumstances, the evolution of accounting practice is much faster than the development of official standards, which means that accounting professionals will face situations that fall outside of the range of existing standards and will seriously test their knowledge and judgement. If accounting professionals do not clearly understand their own ethical responsibilities and do not understand the context in which accounting standards evolve and are being applied, then the technical situation they are facing is quite contrary to the social (and legal) expectations of their roles. Accordingly, ethical problems should be taken into account as explicit goals of accounting training and practice. Odar et al. (2017) examined the ethics of accountants from countries with non-regulated markets of accounting
services. They conclude that perceptions differ between accountants having a professional certificate and those that do not.

The biggest dilemma of accounting ethics is deciding whether ethics can be learned or it is an immanent human trait that cannot be learned through education. Loeb (1988) suggests that teaching accounting ethics should include seven goals. First, accounting education should be linked to moral issues; second, the problems in accounting that have ethical implications must be recognised; third, the sense of moral obligation or responsibility must be developed; fourth, the ability to deal with ethical conflicts or dilemmas must be developed; fifth, one must learn to deal with the uncertainties of the accounting profession; sixth, it is necessary to perceive the phases of change in ethical behaviour; seventh, it is necessary to evaluate and understand the history and composition of all aspects of accounting ethics and their relationship with the general rules of ethics.

There have been long-standing debates about whether ethics can be taught under university conditions. Supporters of the thought claimed that ethics is important for the accounting profession, and it is necessary to teach it for accounting professionals entering the field. In addition, training can help to reinforce the ethical values of the students and inspire others not to make unethical decisions. According to the critics of the thought, individuals are either ethical or not, and they think that teaching ethics – within a course – does not make much sense.

To overcome the disagreement, Stuart and Stuart (2004) propose a four-step ethical model: in the first step, the accounting professional must recognise that there is an ethical dilemma; the second step is to identify the parties who may be interested in the outcome of the dilemma; in the third step, it is necessary to identify and evaluate the alternatives and their impact on stakeholders; in the fourth step, the best alternative is selected. After larger accounting scandals, accounting organisations have introduced reforms, new regulations, and a plan for enhanced accounting higher education in the fight against unethical behaviour. If accounting professionals are trained in ethics prior to starting to work, or there is an initial training within the company, we can believe that it will increase the credibility of the accounting profession. Companies and accounting organisations have also extended their help by providing materials suitable for teaching students.

1.3 Ethical problems of small and medium-sized enterprises

It is worth noting that small and medium-sized enterprises, which have played a significant role in business in recent decades, have been excluded from research on business ethics issues, and in this respect, they were out of the spotlight (Werner & Spence, 2004). Studying the role and function of ethics in business organisations has primarily focused on large companies, despite the fact that small and medium-sized enterprises have a strong influence on the economies of all countries, especially in rapidly changing and increasingly competitive global markets (Naidoo et al., 2009). While many large companies gain their own reputation by applying ethical standards, small and medium-sized companies in developed countries are becoming progressively alert to the importance of trust in terms of employees, clients, suppliers and society. At the same time, small and medium-sized enterprises in developing countries need a better understanding and awareness of business ethics and its benefits.
There is a growing worldwide pressure on business organisations to conduct ethical behaviour, to continue their operations in the most economical, effective and efficient way possible, preferably while increasing their performance. Customers are also sensitive to the reputation of their patronised stores. Small and medium-sized enterprises are in the worst position in this respect in the absence of funds, strategic information and allies conducting ethical practices.

Ethical behaviour in ethically run small and medium-sized enterprises is likely to have a positive impact on turnover and profit and lower employee turnover rate. If employees prefer to work in an ethical organisation, they can easily be attracted to work in an ethical environment, reducing recruitment costs, helping the company by acquiring the right qualifications, and can protect the business from investors buying the company through hostile acquisitions (Wiid et al., 2013). Therefore, small and medium-sized enterprises need to develop their own ethics policies and insist on compliance with it in their daily operations.

It is inevitable for small and medium-sized enterprises to appreciate the nature and importance of business ethics in order to develop strategies and solutions that effectively address new challenges, and minimise the likelihood of business failure, increase the chances of growth, competitiveness and performance, and improve the company’s prestige in the industry and business community (McFarlane, 2013).

We need to draw attention to all of this because unethical behaviour has become dominant in all company sizes, which poses a significant risk to business organisations and their stakeholders (Wiid et al., 2013). Small and medium-sized companies are in a more vulnerable position today with regard to corruption, fraud and other unethical manifestations. This is due to the fact that they need to survive, and because they intend to remain small, they face greater difficulties. Small and medium-sized enterprises are particularly vulnerable to the practice and consequences of unethical business conduct due to their size, limited funding capabilities, scarce funds, market dependence and too strong customers, and also because of the difficulties of building a reputation and the tendency to face internal weaknesses during the management of the business (Medlin & Green, 2003).

In some cases, small and medium-sized enterprises consider unethical acts as something they need to survive. Their size limits their resources and capabilities to avoid corruption and fraud in the business sector. Consequently, in many countries – especially in developing ones – corruption and fraud are accepted as normal; they are regarded acceptable and even good practice to speed up the processing of certain cases, even if they know that this is illegal and unethical (Rune, 2011).

Business ethics and corporate social responsibility are very important for small and medium-sized enterprises (Institute of Business Ethics, 2007). Small and medium-sized enterprises need to maintain a good relationship based on trust with key stakeholders such as customers, employees, suppliers and the business community. It is recommended for small and medium-sized business owners to develop a code of ethics that can be a key tool to enforce business ethics within the company. Such code of ethics – with its core values – must be translated into behaviour related to the stakeholders of the organisation.

Owners of small and medium-sized enterprises consider business investments, growth and traffic coming from the trust. There is, of course, a link between the company’s commitment
to its values and its financial performance (Twomey & Jennings, 2011). Although not a
decisive factor, relevant research has shown that the relationship between good financial
performance and other indicators of corporate responsibility is positive. Therefore, companies
benefit financially from ethical behaviour. All things considered, ethical behaviour naturally
creates a solid reputation that leads to the recognition of such stakeholders as customers,
who, in turn, strengthen their loyalty and are willing to make purchases with more trust and
reference. Small and medium-sized enterprises as such need to develop their ethical
presence and reputation to be strong in the eyes of their customers (McFarne, 2013). A
carefully built reputation is based on the customer's perception of us, treating the individual
as someone who is acting as a good person, and this belief depends on our own reliability,
product or service quality, fairness, openness, integrity and honesty. It should be added that
small business ethics covers areas such as 'equal chances for all'; 'decent workplace';
'adaptation to employment and rejective regulation'; 'transparency in the management of
employees and clients'; 'openness in terms of conflict of interest'.

Business organisations and managers need to behave ethically and protect the interests of
their own companies if they want to stay competitive. The owners of small and medium-sized
enterprises and their employees need to become more qualified and need to be more aware
of the need for ethics in business. They need to understand the meaning of ethics and create
a code of ethics, which is a key tool for the enforcement of business ethics within a company.
Nevertheless, doubts and the open question remains whether business success and ethical
behaviour can coexist in small and medium-sized enterprises?

2 Methodology

2.1 Research questions and framework

Our research is important for the development of the profession, as it focuses on how, when
and in what ways the accounting profession and, through it, the more ethical professional
culture of business life can be reached. The aim of the research is to discover more about
how accounting professionals are thinking about their profession, the main aim and the role
of accounting and accountants. The goal of our research is to give a better understanding of
the ethical motives and rules of accounting professionals, understanding the evolution of their
values and behaviours dominated by their experiences, and moderated by believes and
perceptions. To investigate this phenomenon, we formulated the following research
questions:

Q1. Can accounting be considered as a value-oriented profession? What factors
    influence the assessment of value orientation?
Q2. Is accounting serves the public interest?
Q3. Is the perception of perceived and potential careers of the representatives of this
    profession positive? What can be done to make the accounting profession more
    attractive, enjoyable, and respected?

Building up our research, we have considered that personal values, personal motivations,
and experiences on unethical behaviour all have a direct effect on the perception of the way
accounting professionals perceive environmental and personal ethical issues. However, we
also assume that these values and motivations have an indirect effect on perceptions through
the moderating effect of the ethical behaviour of the accountant professional. These complex,
interrelated connections can be resulted in value orientation and serving of the public interest of the accountant professionals.

Figure 1 | Research framework

Source: own elaboration

This framework also formulates our hypothesis, which are considered as the line of influences:

$H_1$: Values formulate the way as an accounting professional perceives the ethical issues of their environment.

$H_2$: Motivations formulate the way as an accounting professional perceives the ethical issues of their environment.

$H_3$: Values and motivates influence perceptions through the moderating effect of ethical behaviour.

$H_4$: Perceptions formulate the accounting professionals’ value orientation and comprehension of serving the public interest.

2.2 Sampling and sample composition

In order to examine the ethical problems of accounting practice, the research group of the Faculty of Finance and Accounting of the Budapest Business School, headed by the Department of Accounting, conducted a survey on the situation in Romania by interviewing Romanian accountants who participated in practical further trainings (Annex 8: Questionnaire). A total of 322 professionals filled in the survey. In the autumn of 2019, the questionnaires were sent out online (through the professional organisation, we asked all accountant (about 50.000) to answer the questionnaire), and a total of 73 answers were received. Participants of further professional trainings in November, conducted by the Bihar (Bihor) and Szilágy (Sălaj) county branches of the Board, were provided with printed questionnaires, of which 249 processable copies were completed (150 Bihar, 99 Szilágy). In trainings altogether, 360 accountants have participated, thus, the filling rate within this group is 69%. In this research, we focus on the explanation of the relationship between variables and not on the description of the Romanian accounting professionals’ distributions, hence, we did not strive for representativeness. However, this would not have been easy as the population distributions are not known.

The questionnaire that we have used for this survey is structured into six chapters and holds 29 questions, translated into 75 statistical variables. The six chapters are:
In your opinion, how important do you think the following values are for the accounting profession?" in the questionnaire:
- Ethics-related values
- Values related to advocacy
- Professional values
- The factors that influenced the choice of profession are incorporated in the question "What factors influenced your choice of accounting as a profession?" include
  - Career-related factors
  - Environment-related factors (travel, international environment)
- Experience: have you ever encountered unethical behaviour in the course of your work?

Proxy acting as a mediating variable:
- Ethical behaviour: ‘How ethical do you think the following behaviour is?’ sample cases

Measured mediating variable: "To what extent do you agree with the following statements?"
Responses on the ethical assessment of the profession, the environment, or their own actions

- Evaluation of the profession
- Evaluation of the environment
Judgement of their own activity

Outcome variables (results):

1. Value-oriented nature “To what extent do you think the accounting profession is a value-oriented profession?” Ratings to the question
2. Serving the public interest “Do you think you contribute to serving the public interest?”-Assessment

To build the models, we first developed an initial model for the full sample using exploratory regression analysis. In this model, only significant causal relationships are marked, their direction indicated by arrows. Their weight makes up the standardised beta parameters. We then removed from the sample all respondents with missing values for the concerned variables. From the thus normalised database \( n=321 \), the now validated models were then re-established using the structural equations method. (The initial model is not described due to space constraints, but its drawing is fully identical to the validated model from the full sample.)

The structure of the models follows the structure described in the literature (Füstös et al., 2004). The calculations were performed using IBM AMOS software. In the models, the input variables acting as causes are pairwise linked by covariances, as they are not necessarily independent variables: their relationships also affect the formation of the explained causal variables. The endogenous mediating variables of the model are labelled with ei. error terms. The weights of the paths (links) connecting the variables are the standardised beta parameters of the model. The values written for the explained variables are the coefficients of determination \( R^2 \) in each model. The relationships of the models are then described by the standard error \( (S.E.) \), and the critical value \( (C.R.) \) is also reported.

The fit of the models is tested with \( \chi^2 \) tests, considered as well-fitting if \( p<0.05 \). In addition, we measure the mean explanatory power of the models produced (Means of Squared Multiple Correlations on dependent variables).

3 Empirical results

Out of the 322 responses that could be assessed, more than 77% came from Bihar (Bihor) and Szilágy (Sălaj) counties (of the 249 questionnaires completed in paper form). Less than 1% of the number of active enterprises in these counties are large enterprises, so more than 99% of accountants provide services to SMEs. This proportion is similar in the other counties from which responses are still being received, and their responses are therefore considered relevant. Based on these results, we consider that the sample contains respondents relevant to the topic and, given its size, is suitable to describe the phenomenon under investigation.

The objective of our analysis was to understand what practising accountants think about their profession, to what extent they can see career opportunities in it, what they think about their colleagues, their own near and far work conditions from an ethical perspective, and how they relate to one another.

The sample obtained is broken down by demographic criteria, as shown in the table in Annex 1.
Demographic data on respondents show that 76% of the sample is female, with an average age of 49 years. Most of them work in Bihor County (57.6%), and 31.2% in Sălaj County. The remaining 11.2% are employed in other counties. In terms of qualification, 66.0% are expert accountants, 16.2% are chief accountants/financial managers/office managers, 8.4% are accountants with secondary/higher education qualifications, 8.1% are chartered accountants with secondary/higher education qualifications, 1.2% are auditors. By activity, 49.2% of the respondents were outsourced accountants, 44.5% in-house accountants and 6.2% from the public sector. 74.1% of the respondents are members of a professional organisation, and 48.6% work in micro-enterprises. It projects an ageing picture of the profession based on the age profile of accountants, and it is questionable whether future professionals will be able to fill the gap.

3.1 Career paths in the accounting profession

When it comes to choosing a career, the vast majority of respondents are positive about the professional development opportunities in accounting. 87.9% of accounting professionals believe that there are adequate career opportunities in the profession, but it is noteworthy that 12.1% of respondents are disappointed with their career prospects. When examining responses on career choices by education, there is only a minimal, non-significant difference between the means, as both those with higher and secondary education and accountants and managers typically rate career opportunities as slightly above average. Auditors are slightly below average. However, professionals in internal positions (in-house and public sector) rate career prospects higher than external, outsourced accountants (p=0.012). It is interesting to note that neither education, age, nor the length of time in the profession has a strong influence on the perception of career prospects.

We examined 11 factors that might influence the choice of accounting as a career. These were rated by respondents on a scale of 1 to 5. The most important factor in the choice of profession is that accounting is perceived as a value-oriented/knowledge-based profession, closely followed by career opportunities and working within a regulated framework.
Figure 2 | The most typical reasons for choosing accounting as a profession

Source: own data processing
Note: 1-not influenced at all; 5-greatly influenced.

The options for career opportunities (dynamic promotion/career opportunities, structured, predictable career path, opens new opportunities) are consistently above average for the largest proportion of accountants in the sample: 3.44; 3.33 and 3.51, respectively. For auditors, the options for career opportunities are above average compared to the other subpopulations: 4.75, 4.50 and 3.75, respectively.

By implication, it is a characteristic of the profession that travel opportunities (1.63-2.32) and an international environment (2.00-2.42) are both rated below the main average.

Keeping the research objective in mind, from an ethical point of view, it is important to note that the need for ethical behaviour (value-oriented/knowledge-based profession, work within a regulated framework) is ranked 1st and 3rd out of 11 in the choice of profession. The prestige rating for the profession is also good, ranking 8th and scoring well above average at 3.12.

Accountants ranked "dynamic promotion/career opportunities" first among the criteria for choosing a profession, while the others chose accounting as the profession most for its value-oriented/knowledge-based attribute.

The top 3 motivations do not differ significantly across the education categories studied, but the assessment of the other factors is already nuanced by qualification. It is interesting to note that for each variable, the motivations of administrators are the highest and those of accountants the lowest (Annex 2).

Factors were constructed from the 11 value variables tested (KMO=0.838; Bartlett $\chi^2=1187.9; p=0.000$). The total variance explained by the resulting 3 factors (TVE) is 66.671%,
and the smallest rotated factor weight is above 0.7, the second largest is below 0.5 (varimax rotation, Kaiser normalisation). [Two variables (work-life balance; traditional family background) were not fitted to factors, so were dropped from the analysis.] The three emerging factors are career-related factors, professional prestige-related factors, and environment-related (mainly travel-related) factors (Annex 3).

The extent of the individual motivating factors does not differ significantly between educational attainment, but it can be seen that career motivates mostly auditors and accountants with secondary/higher education, the latter are motivated by travel and the international environment, which also motivates more significantly accountants and financial managers, while professional prestige motivates mostly only auditors.

Almost 90% of respondents (88.8) are satisfied or partially satisfied with their career path. When assessed separately by educational attainment, although there are no significant differences, it is mostly accountants who are most satisfied (100% very satisfied), with 92.6% of accountants with a secondary/higher education being less satisfied. The highest proportion of dissatisfied people (12.2%) is among expert accountants.

3.2 Values of the accounting profession and value orientation in accounting

According to CPA organisations, ethical behaviour should be based on core values such as integrity, honesty, justice, respect, objectivity, responsibility, independence and professional competence. Taking these principles into account, we have developed a set of 12 characteristics of accounting values.

Respondents were asked to rate the accounting profession on a scale of 1 to 5. According to the respondents, the values that are important for the accounting profession are professional competence, confidentiality, ethical behaviour, high commitment to do the job well, independence, honesty and objectivity (Figure 3).
It is interesting to note that there is no significant difference in the perception of values by occupation (education) categories, nor by how long a person has been working in the occupation.

Factors were constructed from the 12 value variables examined (KMO=0.904; Bartlett $\chi^2$ =1960.455; $p=0.000$). The total variance explained by the resulting 3 factors (TVE) is 71.454%, and the smallest rotated factor weight is above 0.5 (varimax rotation, Kaiser normalisation). (One variable did not fit into factors, so this (professional conduct) was withdrawn from the analysis.) The three factors generated are ethics and commitment, advocacy, teamwork.

Accounting can become a value-creating process if operated ethically instead of the traditional supportive administrative process. The value-oriented nature of the accounting profession means that it has a consistent set of values and can be operated and managed accordingly.

More than 80% (86.6%) of respondents consider it to be a rather value-oriented profession, while only 3.1% consider it not at all. 100% of accountants consider accounting to be a value-oriented profession, 85% of chartered accountants, 81% of accountants with secondary education, 90% of chief accountants and 87% of expert accountants. Surprisingly, 6% of chief accountants do not consider the profession to be value-oriented at all.

In addition to being value-oriented, the accounting profession also has an important objective of serving the public interest. The public interest is served through the preparation of the accounts that result from the work of accountants. They enable stakeholders to make well-established decisions. The accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the enterprise. The vast majority of professionals in
Romania (79.1%) believe that accounting contributes to the public interest, and there is a consensus within the profession. There are no significant differences in these proportions in relation to demographic criteria.

3.3 Ethical behaviour and its hierarchical interpretation

Ethical behaviour is defined by more than 80% (81.9%) of respondents as "honesty, fairness, integrity, reliability, punctuality, conscientiousness, morality", i.e., clearly different from "obeying rules, laws, norms" (16.8%). But 1.2% said that "providing a service in the interest of a client or partner" best covers the content of ethical behaviour. It is reassuring that 80% of the respondents define ethical behaviour in terms of the qualities formulated by international professional organisations and included in the literature.

Just over a third (38%) of respondents interpret the concept of ethical behaviour in the same way as the company they work for, but it is noteworthy that 20.6% of professionals sometimes do not interpret it in the same way or not identically at all. It is the accountants who are the most likely to interpret the term in the same way as their firm (75%), and accountants with secondary education are the least likely to interpret it in the same way as their company (14.8%).

Accounting organisations have stated that factors which lead to unethical behaviour include self-interest, lack of objectivity and independence, inadequate professional judgment, lack of ethical sensitivity, inept leadership and corrupt corporate culture, failure to resist threats to help, lack of competence, lack of organisational and impartial support, lack of support from a professional body, among others. Taking into account the above factors, we have identified typical cases of unethical behaviour.

Only 13.1% of respondents have not encountered unethical behaviour in the course of their work, 65% said it happens sometimes, 21.5% said it happens often, and 0.6% said it happens every day. Although there is no significant relationship between job title and experience, it is interesting to look at the sub-distributions: among auditors, there is no one who has not experienced unethical behaviour yet, and among administrators, almost 10% have never experienced unethical behaviour.

75% of auditors have not experienced unethical behaviour to a large extent or not at all, compared with around 67% of graduate chartered accountants and 88% of those with secondary education.

Deliberate non-compliance with rules and procedures and manipulation of information are the two most common unethical behaviour forms encountered by professionals, but a conflict of interest (30.5%) and manipulation (31.8%) are also widely known forms of unethical behaviour. Unethical behaviour is more likely to be related to external players, most of which are clients and other professionals outside the organisation.
3.4 Examination of ethical behaviour

We asked respondents to rate four situations how ethical they considered them on a scale of 1-5. Respondents rated the ethical nature of the four situations listed as follows (1 - not at all ethical; 5 - completely ethical). Respondents’ tolerance was generally low, with all situations typically rated as rather unethical on average:

a) The manager asks the accountant to help reduce VAT payable by "obtaining invoice" before filing VAT return - average: 1.47

b) The accountant provides the manager with the operating model and supplier prices of a competitor booked by the accountant in exchange for financial compensation - average: 1.39

c) The accountant entrusts the assistant with listening to the online credit training and answering the questions - average: 1.87

d) At the request of the client, the accountant accounts for the transaction on the basis of a duly issued voucher, even though he knows that the acquisition of the asset is not in the interest of the business activity - average: 1.98.

The questionnaire was not designed to identify different "degrees" of cases, the only objective was to identify cases that were contrary to the ethical principles of the Association of Chartered Certified Accountants (as reflected in the Code of Ethics of the Chamber of Accountants), which, in each case, is an example of unethical behaviour. In this light, the assessment of the results obtained questions ethical behaviour and the correct interpretation of the concept.

If we look at the ethical perception of the four specific cases by educational attainment, we find that the first two are considered by all to be more unethical, while cases c) and d) are considered to be less unethical actions. The ethical judgements of chartered accountants
with secondary/higher education are the most severe in cases a), b), and d), with the lowest averages.

The proxy variable constructed by combining the value judgements for the four situations shows a larger deviation. If someone judged all 4 cases as totally unacceptable, the proxy value is 4. If they allowed a score of 2 or less in the assessment of the ethical nature of the situation in up to two cases, the proxy variable is 3. If they deviated from the totally unacceptable value to a small extent in several cases, the proxy is 2, otherwise, it is 1.

\[
E = q^a + q^b + q^c + q^d - 4 \quad \rightarrow \quad E_{\text{proxy}} = \begin{cases} 
4, & \text{if } E = 0 \\
3, & \text{if } 1 \leq E \leq 2 \\
2, & \text{if } 3 \leq E \leq 4 \\
1, & \text{if } 5 \leq E \leq 16
\end{cases}
\]  

(1)

This ensures similar proportions in each category of the proxy variable and expresses the effect to be measured.

Figure 5 | Distribution of the sample by ethical variable

Source: own data processing

Education does not differentiate experience (p=0.207), either, with a slightly higher proportion of unshakeable for auditors and half the proportion of permissive/unethical than for graduates or administrators. The same low proportion of permissive/non-ethical is also found for chartered accountants. There is no significant correlation between the variables in terms of age (p=0.592).

3.5 Hierarchical examination of ethical behaviour

Respondents were asked to assess their immediate and wider professional environment, as well as themselves, on a scale of 1 to 5 (1 - not at all; 5 - completely) on how ethical they consider it to be. It is interesting to note that while their own professional activities and the
accounting profession are equally perceived as ethical (p=0.764), their work environment is perceived as significantly less ethical (p=0.000).

Figure 6 | How ethical the respondents consider their environment and themselves

![Graph showing ethical perceptions](source: own data processing)

This interpretation does not differ significantly across the profession (p>0.237), but accountants with a secondary education have the lowest mean of all three.

4 Modelling

The full sample model with subpopulation analysis

The full-sample model is significant ($\chi^2 = 399.865; \text{df} = 20; p = 0.000$), with an average explanatory power of 13.27 percent. The significant (p < 0.05) causal relationships in the model are as follows.

- Ethical behaviour is influenced (although to a small but significant extent) by professional values related to advocacy, but not by professional values about ethics. This means that there is no causal relationship between ethical values and action.
- Whether one perceives the accounting profession as ethical is also influenced by one’s professed values: strongly by ethics and commitment and less strongly by advocacy.
- The extent to which respondents perceive their immediate work environment to be ethical is influenced by professional values related to ethics and commitment and advocacy, career-related motivations for choosing a profession, and teamwork.
- The extent to which respondents perceive themselves to be ethical is strongly influenced by their professional values on ethics and commitment.
- Value-orientation is not influenced by professed professional values (p > 0.05). However, perceptions of how ethical one's profession and immediate work environment affect value-orientation: if someone perceives both the accounting profession and the immediate environment as ethical, they are more likely to
perceive the accounting profession as value-oriented. However, one’s own ethics has the opposite effect. This implies that the value-orientation of accounting does not so much depend on the individual but rather of the wider and narrower professional community.

– At the same time, serving the public interest depends on the ethical nature of the profession and the environment: the ethical behaviour of the individual does not contribute to serving the public interest, but the wider and narrower environment does.

Figure 7 | Block diagram of SEM model with estimated parameters and covariances

Source: own data processing

5 Findings

A summary for the full sample and subpopulations is presented in Annex 7. The first column of the table contains the references from A till Y. The findings are presented related to the whole sample, but we point some interesting details related to the subsamples.

(A) The more important the respondent considers ethics and commitment (honesty, confidentiality, professional competence, objectivity, independence, ethical behaviour, high commitment to do well), the more ethical behaviour is associated with them, but only for the sub-population of accountants with secondary/higher education is the strong relationship significant (0.412).

(B) The more important the respondent considers advocacy (prioritising the interests of the client and the public interest over self-interest and commitment to the public interest) as an important value for the accounting profession, the more ethical behaviour is characteristic of the respondent. This characteristic is significantly different for those with more than 25 years of experience (0.289). This correlation does not hold for accountants who started working after the change of regime.
(C) The more important the respondent considers career (dynamic promotion/career opportunities, the profession of significant public interest, working within a regulated framework, structured, predictable career path, opens up new opportunities (for advancement)), the less likely they are to be ethical, but this relationship is only significantly true for accountants, finance managers and office managers (-0.268).

(D), (E) For chartered accountants with secondary/higher education, professional prestige (positive work experience as a career starter, value-oriented/knowledge-based profession) and travel and international environment (travel opportunities and international environment) show a strong positive relationship with ethical behaviour (0.503 and 0.512, respectively).

(E) The more important travel and international environment (travel opportunities and international environment) are considered by expert accountants when choosing a profession, the less ethical behaviour is associated with them (-0.145).

(F) The more important professional values respondents consider ethics and commitment (honesty, confidentiality, professional competence, objectivity, independence, ethical behaviour, high commitment to do well), the more likely they are to think that the accounting profession is ethical (0.343). For those with less than 25 years of professional experience (0.285), those with more than 25 years of professional experience (0.495), accountants (0.362), and accountants with secondary/higher education (0.487), the relationship is medium or stronger.

(H) The more respondents perceive ethical behaviour and commitment (honesty, confidentiality, professional competence, objectivity, independence, ethical behaviour, high commitment to do well) as important professional values, the more they believe that their work environment is ethical. The overall sample also shows a strong relationship (0.405), but the relationship is stronger for the subpopulations of accountants with more than 25 years of professional experience (0.619), chief accountants/financial managers/office managers (0.523), accountants with secondary/higher education (0.547) and expert accountants (0.417). The relationship is weaker but significant for those with less than 25 years of experience (0.339).

(I) The more important the respondents consider advocacy (prioritising the interests of the client, the public interest over self-interest and commitment to the public interest) as an important value for the accounting profession, the more they tend to perceive the profession (0.131) and their work environment (0.185) as ethical. In these cases, the relationship is weak for the whole sample. The relationship for the ethical nature of the work environment is strongest for chief accountants/finance managers/office managers (0.329), and the relationship for the ethical nature of the profession is strongest for those with more than 25 years of experience (0.235).

(K) The more important the value that respondents consider teamwork (teamwork towards a common goal), the more likely they are to consider the profession ethical, and this significant relationship is found for those with more than 25 years of experience (0.202).

(L) The more important the value of teamwork (working as a team towards a common goal), the more respondents perceive their working environment as ethical (0.12). The relationship is stronger for the sub-populations of chief accountants/finance managers/office managers (0.282) and accountants with secondary/higher education (0.271), while for accountants with
secondary/higher education, the relationship is very strong but in the opposite direction (-0.583), the interpretation of which requires further investigation.

(M) For the respondent, the more important the value of a career (dynamic promotion/career opportunities, the profession is of significant public interest, working within a regulated framework, structured, predictable career path, opens up new opportunities (for advancement)), the more important the value, the more ethical the profession is perceived to be, but this relationship only shows a significant relationship for respondents with less than 25 years of experience (0.145) and for accountants (0.127).

(N) For the respondents, the more important the value of a career (dynamic promotion/career opportunities, the profession is of significant public interest, working within a regulated framework, structured, predictable career path, opens up new opportunities (for advancement)), the more important the value, the more ethical the work environment is perceived by the respondent (0.144), but this relationship is only significant for respondents with less than 25 years of professional experience (0.192) and for expert accountants (0.184).

(O) Only for respondents with less than 25 years of professional experience is it true that the more important they consider their career to be, the more likely they are to consider themselves ethical (0.139).

(P) The more important respondents consider travel and international environment (travel opportunities and international environment), the less they consider their work environment to be ethical. This negative significant relationship holds true for the subpopulations of accountants with secondary/higher education (-0.241) and accountants with secondary/higher education (-0.638), the interpretation of which requires further investigation.

(Q) The less emphasised the travel and international environment is in the choice of profession, the more likely the respondents are to consider themselves ethical, showing a significant relationship only for those with more than 25 years of professional experience (-0.227).

(R) Respondents who rated professional prestige as important among the factors that influence their career choice were more likely to consider their work environment as ethical. The subgroup of accountants with secondary/higher education shows a significant relationship (0.29).

(S) There is no significant relationship between respondents’ answers to specific cases and respondents’ perception of the profession as ethical for the whole population. In terms of subpopulations, there is a less than medium significant relationship between chief accountants/finance managers/office managers (0.281) and respondents with less than 25 years of experience (0.163). A negative significant relationship is found for respondents with more than 25 years of experience (-0.239).

(T) The more ethical the profession, the more likely the respondents are to think that the accounting profession is value-oriented (0.153). There is also a significant relationship between accountants with secondary/higher education (0.569) and respondents with less than 25 years of professional experience (0.187), and expert accountants (0.141). Respondents who perceive the profession to be ethical also perceive the accounting profession to be value-oriented (the more ethical they perceive the profession to be, the more
they perceive the activity to be value-oriented). Accounting can become a value-creating process rather than a usual supportive process by operating ethically. To be able to operate ethically, the profession needs a wider code of ethics and ethics training.

(U) Those who perceive the immediate work environment as ethical also perceive the profession as value oriented. This relationship is weak (0.219) across the whole sample and only weakest for those with less than 25 years of experience (0.204), for those with more than 25 years of experience (0.277), the weakest for expert accountants (0.182) and strongest of all sub-populations for chief accountants/finance managers/office managers (0.397). The relationship may be explained by the fact that professionals with greater professional experience now see and experience accounting services in a broader content, where the provision of quality information and advice to support decisions is increasingly important.

(V) The relationship between the respondents' assessment of the ethical nature of their work environment and their perception that their professional activity serves the public interest is weak (0.121) but significant. The relationship is much stronger for accountants with secondary/higher education (0.504) and for chief accountants/financial managers/office managers (0.279). In the case of chief accountants/finance managers/office managers, higher education is perceived to have a beneficial effect on the self-assessment of the ethical behaviour of professionals to serve the public interest. For those with more professional experience, the traditional prestige of the profession still prevails.

(W) The relationship between the respondents' self-assessment of ethics and the perception that the professional activity is in the public interest is of medium strength, with a significant relationship in the opposite direction for accountants with secondary/higher education (0.462), the reasons for which require further investigation.

(X) The relationship between the respondents' perceptions of the ethical nature of the profession and their perception that the profession serves the public interest is weak (0.182) but significant across the sample. It is strongest for accountants with secondary/higher education (0.591), weaker than a medium for accountants with less than 25 years of professional experience (0.268) and for expert accountants (0.19).

(Y) The more ethical respondents consider themselves to be, the less value-oriented they think the profession is (0.216). The opposite sign holds for all sub-populations, most strongly for those with secondary/higher education in accountancy (0.556), the explanation for which requires further investigation.

Looking back to our hypothesis, we can confirm all of our four-hypothesis based on the structural equation model - but we need to consider some specifications for demographic groups.

H1: Confirmed in all demographic groups.
H2: Confirmed in all demographic groups.
H3: This hypothesis is confirmed; however, some elements of values could not be related to ethical behaviour. In the full database, we found only one significant effect: advocacy and ethical behaviour. Under 25 years, the hypothesis cannot be confirmed as there are no
significant effects between any values variable and ethical behaviour in this segment to support our hypothesis.

H4: Confirmed in all demographic groups.

Conclusions and limitations

Based on the results of empirical research – in line with previous papers (Ionescu & Zaman, 2016; Ionescu, 2017; Cernușa, 2014; Avram et al., 2017) -, it can be concluded that there is a correlation between ethics, the image of ethical behaviour and the ethical behaviour of the individual, which determines the service of the public interest. At the same time, these factors influence the professional environment and the ethical nature of the work environment and, through this, determine the extent to which accounting can be value oriented. It can therefore be concluded that it is in the common interest of the profession that new entrants to the profession are also broadly educated in this area so that accounting can remain value oriented. As for educating ethics, respondents favoured a combination of structured education, workflow-based education and personal training, as well as a combination of structured education and personal training. So, there is definitely a place for business ethics education in both accountancy training and higher education (in line with Țicoi & Albu, 2018; and Zhatkin et al., 2017). Whether this is done in the context of a specific subject, either in a broad sense or in the form of a case study in a professional subject, is a matter of curriculum.

When asked what can help accountants to act more ethically in their work, 90.3% of respondents said that support is needed, including training, practical guides to refer to and mentoring in their own working environment.

Based on the same questionnaire, empirical research was conducted in Hungary (Balázsine et al. 2019), and not surprisingly, because of the similar historical background, the findings are also similar.

The findings of this study must be seen considering some limitations. These are the sampling methodology that we have followed, which always hold some limitations for any empirical research. In our case, the research subjects (the population) are very homogeneous and special professional community, which is very hard to describe. The statistical methodologies applied in this research also has some limitations: due to the complexity of the observed phenomena, we used several proxy variables whose dimension have been reduced by factor analysis. However, we have carried out all the required error and fit measurements prescribed in the relevant literature, we can never be confident enough in the strength of the conclusions and in the minimisation of errors and random effects.

References


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## Annexes

### Annex 1 | Sample distribution

<table>
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<th>Gender</th>
<th>male</th>
<th>24.0%</th>
<th>female</th>
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<tr>
<td>Auditors</td>
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<td>Chartered accountants with secondary/higher education qualifications</td>
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<td>Accountants</td>
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<td>Number of employees</td>
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<td>11-25</td>
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<td>26-50</td>
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<td>51-250</td>
<td>12.1%</td>
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<td>How long have you been working in the profession?</td>
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<td>5-10 years</td>
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<td>10-15 years</td>
<td>29.0%</td>
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<td>15-20 years</td>
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<td>20-25 years</td>
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<td>25-30 years</td>
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<td>more than 30 years</td>
<td>0.0%</td>
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<td></td>
<td></td>
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<tr>
<td>Do you have other professional experience or qualification than accountancy?</td>
<td>No</td>
<td>42.4%</td>
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<td>Tax advisor</td>
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<td>Legal consultant</td>
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<tr>
<td>other</td>
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<td>Type of employment</td>
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<td>not full time</td>
<td>20.6%</td>
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<td>In which area do you work?</td>
<td>In-house accounting</td>
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<tr>
<td>Outsourced accounting</td>
<td>49.2%</td>
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<tr>
<td>Public sector</td>
<td>6.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>&lt;= 29</td>
<td>1.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 - 39</td>
<td>19.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 - 49</td>
<td>35.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 - 59</td>
<td>26.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60 - 69</td>
<td>15.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70+</td>
<td>1.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>partner</td>
<td>31.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
If you work for an accounting service provider, please indicate applicable.

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>26.4%</td>
</tr>
<tr>
<td>Senior colleague</td>
<td>15.0%</td>
</tr>
<tr>
<td>Junior colleague</td>
<td>2.0%</td>
</tr>
<tr>
<td>Other</td>
<td>25.4%</td>
</tr>
</tbody>
</table>

If you work for an accounting service provider, please indicate applicable.

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing</td>
<td>3.1%</td>
</tr>
<tr>
<td>Tax advisory</td>
<td>16.8%</td>
</tr>
<tr>
<td>Accounting services</td>
<td>67.0%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>5.6%</td>
</tr>
<tr>
<td>Accounting, financial and legal consultancy</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

Source: own elaboration
### Annex 2 | Differences in motivation per educational attainment

<table>
<thead>
<tr>
<th>Highest level of education (RO)</th>
<th>Auditor</th>
<th>chartered accountant with secondary/higher education</th>
<th>accountant with secondary/higher education</th>
<th>chief accountants/financial managers/office managers</th>
<th>Expert accountant</th>
<th>F</th>
<th>Sig.</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive work experience as a career starter</td>
<td>4.250</td>
<td>3.423</td>
<td>3.074</td>
<td>3.635</td>
<td>3.453</td>
<td>1.220</td>
<td>0.302</td>
<td></td>
</tr>
<tr>
<td>Value-oriented/knowledge-based profession</td>
<td>4.500</td>
<td>3.962</td>
<td>3.778</td>
<td>3.942</td>
<td>4.057</td>
<td>0.792</td>
<td>0.531</td>
<td></td>
</tr>
<tr>
<td>Work-life balance</td>
<td>4.000</td>
<td>3.654</td>
<td>2.593</td>
<td>3.269</td>
<td>3.151</td>
<td>3.099</td>
<td>0.016</td>
<td>*</td>
</tr>
<tr>
<td>Opens up new opportunities</td>
<td>3.750</td>
<td>3.692</td>
<td>3.111</td>
<td>3.712</td>
<td>3.514</td>
<td>1.393</td>
<td>0.236</td>
<td></td>
</tr>
<tr>
<td>Structured, predictable career path</td>
<td>4.500</td>
<td>3.538</td>
<td>3.333</td>
<td>3.481</td>
<td>3.330</td>
<td>1.269</td>
<td>0.282</td>
<td></td>
</tr>
<tr>
<td>Interest in the topic (traditional professional background in the family)</td>
<td>1.750</td>
<td>3.577</td>
<td>2.778</td>
<td>2.442</td>
<td>2.590</td>
<td>3.394</td>
<td>0.010</td>
<td>**</td>
</tr>
<tr>
<td>Significant public interest (prestige)</td>
<td>3.500</td>
<td>3.538</td>
<td>2.852</td>
<td>3.154</td>
<td>3.085</td>
<td>1.264</td>
<td>0.284</td>
<td></td>
</tr>
<tr>
<td>Work within a regulated framework</td>
<td>4.250</td>
<td>3.808</td>
<td>3.296</td>
<td>3.596</td>
<td>3.443</td>
<td>1.147</td>
<td>0.335</td>
<td></td>
</tr>
<tr>
<td>Dynamic promotion/career opportunities</td>
<td>4.750</td>
<td>3.462</td>
<td>3.111</td>
<td>3.327</td>
<td>3.448</td>
<td>1.698</td>
<td>0.150</td>
<td></td>
</tr>
<tr>
<td>Travel opportunities</td>
<td>2.250</td>
<td>2.000</td>
<td>1.630</td>
<td>2.327</td>
<td>2.231</td>
<td>1.840</td>
<td>0.121</td>
<td></td>
</tr>
<tr>
<td>International environment</td>
<td>2.000</td>
<td>2.192</td>
<td>2.000</td>
<td>2.423</td>
<td>2.146</td>
<td>0.665</td>
<td>0.616</td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05, ** p < 0.01, *** p < 0.001

1 – not influenced; 5 – greatly influenced

Source: own data processing
### Annex 3 | Factor groups that influence career

<table>
<thead>
<tr>
<th>Factor groups</th>
<th>career</th>
<th>travel and international environment</th>
<th>professional prestige</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic promotion/career opportunities</td>
<td>0.771</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant public interest (prestige)</td>
<td>0.762</td>
<td>0.313</td>
<td></td>
</tr>
<tr>
<td>Work within a regulated framework</td>
<td>0.753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structured, predictable career path</td>
<td>0.733</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opens up new opportunities</td>
<td>0.700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel opportunities</td>
<td></td>
<td>0.859</td>
<td></td>
</tr>
<tr>
<td>International environment</td>
<td></td>
<td>0.828</td>
<td></td>
</tr>
<tr>
<td>Positive work experience as a career starter</td>
<td></td>
<td></td>
<td>0.875</td>
</tr>
<tr>
<td>Value-oriented/knowledge-based profession</td>
<td>0.416</td>
<td></td>
<td>0.748</td>
</tr>
</tbody>
</table>

Source: own elaboration

### Annex 4 | Factor weights of value factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>ethical behavior and commitment</th>
<th>advocacy</th>
<th>teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honesty</td>
<td>0.828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confidentiality</td>
<td>0.826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional competences</td>
<td>0.816</td>
<td>0.303</td>
<td></td>
</tr>
<tr>
<td>Objectivity</td>
<td>0.765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independence</td>
<td>0.759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical behavior</td>
<td>0.757</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High commitment to do the job well</td>
<td>0.711</td>
<td></td>
<td>0.364</td>
</tr>
<tr>
<td>Prioritising clients’ interests over our interests</td>
<td></td>
<td></td>
<td>0.878</td>
</tr>
</tbody>
</table>
Prioritising public interest (corporate/organisational) over private interest

| Commitment to public interest | 0.380 | 0.525 | 0.312 |
| Teamwork towards a common goal  | 0.309 |       | 0.865 |

Source: own elaboration

Annex 5 | Mean of ethical value judgements by educational attainment

<table>
<thead>
<tr>
<th>Highest level of education (RO)</th>
<th>Auditor</th>
<th>chartered accountant with secondary/higher education</th>
<th>accountant with secondary/higher education</th>
<th>chief accountants/financial managers/office managers</th>
<th>Expert accountant</th>
</tr>
</thead>
<tbody>
<tr>
<td>The manager asks the accountant to help reduce VAT payable by &quot;obtaining invoice&quot; before filing VAT return.</td>
<td>1.50</td>
<td>1.19</td>
<td>1.56</td>
<td>1.44</td>
<td>1.50</td>
</tr>
<tr>
<td>The accountant provides the manager with the operating model and supplier prices of a competitor booked by the accountant in exchange for financial compensation.</td>
<td>1.25</td>
<td>1.04</td>
<td>1.44</td>
<td>1.63</td>
<td>1.36</td>
</tr>
<tr>
<td>The accountant entrusts the assistant with listening to the online credit training and answering the questions.</td>
<td>2.00</td>
<td>1.96</td>
<td>1.85</td>
<td>2.27</td>
<td>1.76</td>
</tr>
<tr>
<td>At the request of the client, the accountant accounts for the transaction on the basis of a duly issued voucher, even though he knows that the acquisition of the asset is not in the interest of the business activity.</td>
<td>2.25</td>
<td>1.42</td>
<td>2.19</td>
<td>2.00</td>
<td>2.01</td>
</tr>
</tbody>
</table>

Source: own elaboration
### Annex 6 | Ethical behavior based on education and age

<table>
<thead>
<tr>
<th>Ethical behavior (4)</th>
<th>unshakeable</th>
<th>ethical</th>
<th>less ethical</th>
<th>permissive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highest level of education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td>0.0%</td>
<td>50.0%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Chartered accountant with secondary/higher education</td>
<td>34.6%</td>
<td>34.6%</td>
<td>23.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Accountant with secondary/higher education</td>
<td>22.2%</td>
<td>25.9%</td>
<td>25.9%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Chief accountants/financial managers/office managers</td>
<td>17.3%</td>
<td>34.6%</td>
<td>21.2%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Expert accountant</td>
<td>23.6%</td>
<td>34.4%</td>
<td>24.1%</td>
<td>17.9%</td>
</tr>
<tr>
<td><strong>Age category</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>less than 25 years</td>
<td>20.5%</td>
<td>35.5%</td>
<td>23.2%</td>
<td>20.8%</td>
</tr>
<tr>
<td>more than 25 years</td>
<td>33.9%</td>
<td>27.4%</td>
<td>25.8%</td>
<td>12.9%</td>
</tr>
<tr>
<td><strong>Total sample</strong></td>
<td>23.1%</td>
<td>34%</td>
<td>23.7%</td>
<td>19.3%</td>
</tr>
</tbody>
</table>

Source: own elaboration

### Annex 7 | Summary for the full sample and subpopulations

Source: own elaboration
Annex 8 | Questionnaire

Dear Accountant Colleague/Dear Bookkeeper,

We wish to kindly ask you to complete the questions below to assist our research on The ethical issues of accounting work.

The estimated time for filling in the questionnaire is approximately 15 minutes.

We appreciate and thank you for your help.

Researchers of the Finance Dept., Faculty of Finance and Accounting, Budapest Business School

I. Questions about selecting a career path:

1. Do you think there are appropriate career opportunities for accounting professionals in Hungary? (Please mark with an X)

<table>
<thead>
<tr>
<th>Yes, a lot</th>
<th>Yes, enough</th>
<th>Yes, partly</th>
<th>Not really</th>
<th>Not at all</th>
</tr>
</thead>
</table>

2. What are the factors that influence you in choosing the accounting profession?
   (1- no influence at all; 5- a great deal of influence) (Please, circle your choice.)

   Positive work experience as a career starter
   4  5
   Value-based and knowledge-centred job
   4  5
   Work-life balance
   4  5
   Several opportunities (promotion opportunities)
   4  5
   Structured, predictable career
   4  5
   Interest in the subject (traditional family background)
   4  5
   Significant public appreciation (prestigious)
   4  5
Work under systematic regulations  
4  5  
Dynamic promotion/career  
4  5  
Travelling opportunities  
4  5  
International environment  
4  5  
Other:..................................................  
4  5  

3. As an accounting professional, are you satisfied with selecting this career path?

<table>
<thead>
<tr>
<th></th>
<th>Yes, a lot</th>
<th>Yes, partially</th>
<th>Not really</th>
<th>Not at all</th>
</tr>
</thead>
</table>

II. Questions about the values of the accounting profession

4. To what extent do you think the values below are important for the accounting profession?  
   (1- not important at all; 5- very important)

<table>
<thead>
<tr>
<th>Value</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honesty</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Teamwork for a common goal</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Professional competences</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>A lot of dedication to work</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Prioritising public (corporate/organisational) interest</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Objectivity</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Ethical behaviour</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Prioritising the clients’ interests</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>
Loyalty to profession 1 2 3
4 5
Independence 1 2 3
4 5
Secrecy 1 2 3
4 5
Dedication to public good 1 2 3
4 5

5. **To what extent do you think the accounting profession value-driven?**

<table>
<thead>
<tr>
<th>Yes, a lot</th>
<th>To a certain extent</th>
<th>Not really</th>
<th>Not at all</th>
</tr>
</thead>
</table>

6. **Do you think you contribute to public good?**

<table>
<thead>
<tr>
<th>Yes, a lot</th>
<th>To a certain degree</th>
<th>Not really</th>
<th>Not at all</th>
</tr>
</thead>
</table>

III. Questions about ethical behaviour

7. **What does ethical behaviour mean to you?** (Please, indicate only one alternative.)
   a) honesty, fairness, decency, reliable, accurate, trustworthy, ethical behaviour
   b) obeying the rules, laws, standards and regulations
   c) rendering a service in the clients’ or partners’ interest

8. **Do you interpret „ethical behaviour“ in the same way as the company you work for?**

<table>
<thead>
<tr>
<th>Yes, in all cases</th>
<th>Yes, in most cases</th>
<th>Sometimes not</th>
<th>Not at all</th>
</tr>
</thead>
</table>

9. **To what extent do you agree with the statements below?**
   (1- not agree at all; 5- entirely agree)
   The accounting profession is ethical 1 2 3
   4 5
   My working environment is ethical 1 2 3
   4 5
   My accounting activity is ethical 1 2
   3 4 5
10. Do you think a code of ethics would be important for the accounting professionals?

[ ] Yes [ ] No

IV. Questions about observations on unethical behaviour

11. Have you ever met unethical behaviour at work?

[ ] Yes, every day  [ ] Yes, often  [ ] Yes, rarely  [ ] Never

12. What forms of unethical behaviour have you encountered? (Several options are allowed)

a) I have never met un
b) ethical behaviour
c) Enforcement
d) Conflict of interest
e) Harassment
f) Breach of duty
g) Bribery
h) Deliberate violation of rules and laws
i) Information manipulation
j) Manipulation
k) Other: ………………………………….
13. In connection with whom do you observe these forms of unethical behaviour?
   a) Internal
      - managers
      - colleagues
   b) External
      - client
      - outside specialists

14. To what extent these forms of behaviour are ethical? (1 – not at all; 5 - entirely)
   a) The Executive Officer shall seek the assistance of the accountant before deducting the VAT return in order to reduce the VAT due by "acquiring an invoice".
      1 2 3 4 5
   
   b) The accounting model of the competitor booked by the accountant shall be passed on to the managing director in exchange for financial compensation.
      1 2 3 4 5
   
   c) The accountant shall entrust his or her assistant with the actual questioning and completing of the credit point training to be conducted online.
      1 2 3 4 5
   
   d) At the client's request, the accounting officer shall account for the economic event on the basis of a duly issued certificate, even though he knows that the purchase of the asset is not in the interest of the business.
      1 2 3 4 5
15. What do you think the sanction for violating the system of accounting is according to the Penal Code?

a) up to thee years of imprisonment  
b) from two to eight years’ imprisonment  
c) paying a fine  
d) violating the system of accounting is not a crime just misdemeanour

V. Questions about applying ethical behaviour

16. What do you think the best way of studying ethical behaviour is?

a) Structured education  
b) On the job training  
c) Personal further training  
f) Other: ..............................

d) All the methods combined  
e) Cannot be taught

17. What ethical basics have you acquired? Please, evaluate their usefulness.

in higher education  
during on-the-job trainings  
Other:........................................

1  2  3  4  5

1  2  3  4  5

18. In your opinion ethical behaviour needs... (Several options are allowed)

a) a practical guideline which can be referred to  
b) trainings  
c) customer service to advise  
d) Mentoring at work  
e) No need for help  
f) Other: .................................
VI. Questions on demography

19. Gender

- Female
- Male

20. Highest qualification

- a) administrator
- b) chartered accountant
- c) graduate
- d) bookkeeper

21. Which county do you work in?

22. How old are you?

23. Do you work full time?

- a) Yes
- b) No

24. In what area do you work?

- a) Internal accountant colleague
- b) External accountant colleague
- c) Public sector

25. Are you a member of a professional organisation?

- a) Yes
- b) No

If so, please state which one.

26. Do you have other experience or qualification than accounting?

- a) No other practice or qualification
- b) Tax advisor
- c) Legal
- d) Social security or wage administration
- e) Other: ...................................

27. How many employees does your company have?

- 1-10
- 11-25
- 26-50
- 51-250
- 251+

28. How long have you been in this profession?
29. If you work for an accounting service provider, what services do you provide?
   a) Audit
   b) Tax advising
   c) Bookkeeping services
   d) Internal audit
   e) Accounting, finance, legal services
   f) Other:……………………………

30. If you work for an accounting service provider, please, state your position.
   a) Partner
   b) Manager
   c) Senior colleague
   d) Junior colleague

---

i The history of accounting ethics dates back to the Middle Ages. Pacioli, ‘the father of accounting’ has already written about accounting ethics in his work ‘Summa de arithmetica, geometria, proportioni et proportionalita’ published in 1494. Thereafter, ethical standards have been developed by government groups, professional organizations and independent companies. These different groups led accounting professionals to follow the code of ethics to be able to fulfill their responsibilities in professional working conditions.

ii Within the profession – after some accounting scandals – the accounting professionals critically point out that if the client asks ‘how much is two plus two?’, then the accounting professional will probably answer: ‘how much do you want it to be?’. This thought process, combined with other professional criticisms of conflict of interest, has led to the tightening of professional standards, putting pressure on taking ethics seriously in the operating environment.

iii McLean and Elkind’s (2003) investigation came to the following conclusion: ‘one of the most unclear aspects of the Enron scandal is the abetting behavior of several high-rated Wall Street companies, which has allowed Enron to be fraudulent and even became a partner in them. These included J. P. Morgan, Citigroup and Merrill Lynch. Complicity occurred when prepayment was applied, which was basically a loan, although it was recorded as an operating cash flow by Enron. Enron booked new advance payments to comply with current payment obligations, and has supported fast-growing investments in new businesses’.

iv Enron’s senior management sold their own company shares before the company began to decline, but this was not allowed for lower-ranked employees, citing certain restrictions. This caused the devaluation of shares in pension funds for thousands of workers. With the company’s collapse, lower-ranked employees have lost their entire savings collected throughout their lives.

v Arthur Andersen company has played a very active role in Enron’s business through auditing and consultancy services. This might have been enough to question Andersen’s independence. They were not only dependent on the income Enron provided them with the
fee for auditing, but also on the revenue they received for consultancy services. In 2000, Enron paid 52 million dollars to Andersen, including a 27 million dollars consultancy fee (Weil, 2001). This amount means that Enron was the second largest revenue item for Andersen in 2000.

vi The biggest change was brought about by the Sarbanes-Oxley Act (Ditman, 2003). This law has required companies to reassess their internal audit process and ensure that everything is done as expected by auditors, or beyond their expectations. The law also required higher-ranking employees, such as senior executives and senior financial managers in the company to understand the business processes of the company they manage and confirm that they are not aware of any frauds committed by the company.

vii The GAAP system of the United States is the standard framework for financial accounting, which is largely a rule-based system. Critics claim that the rule-based GAAP system is partly responsible for the large number of scandals that the United States suffered from. The principle-based approach in monitoring requires more professional judgment than the rule-based system. There are many stakeholders in many countries, like the United States, who produce reports on some aspects using rule-based accounting. New findings have highlighted that many people believe that a principle-based approach to financial accounting would not only improve auditing, but would also help auditors manage customer pressure. As a result, the accuracy and transparency of financial reporting would increase.

viii IFRS (International Financial Reporting Standards) 'is based on understandability, relevance, materiality, credibility and comparability'. Since not all countries have adapted the IFRS system, these practices do not make international standards viable worldwide. A special circumstance is that the United States has not adapted and is still using the GAAP system, which makes it difficult to compare principles and rules.

ix One of these was Enron's 'special purpose entity'. In the GAAP system, a set of rules dictates that a 'special purpose entity' is separated from the sponsor as a separate entity from a financial reporting point of view. According to the general accounting technique practiced by companies, a 'special purpose entity' sells a device, such as an outstanding balance, which is eliminated from its own balance sheet. The issue of off-balance sheet components is a good example of a rule-based versus principle-based accounting contradiction. The GAAP rules were very detailed and clear in terms of how 'special purpose entities' had to be consolidated (i.e. kept in the balance sheet). Enron managed the structure based on the rules, however, in many cases the company’s executives violated the rules.

x Less than three years after Enron’s bankruptcy, the Securities and Exchange Commission fined Siebel Systems company for breaching fair reporting rules, for a second time in four years, and Lucent Technologies, for a mistakenly recognized 1.15 billion dollars abuse. Europe did not do better either; in 2004, Parmalat committed a 11 billion dollars abuse.

xi This was the case, for example, with Accenture company, which seceded from Arthur Andersen company before the collapse. Meanwhile, PwC consulting was incorporated into IBM in 2002 and became a part of IBM Business Consulting, transforming the unit into one of the world’s largest consulting organizations in one day. Global Services, a combination of IBM’s technology and business consultancy segment, generated a revenue of 56.4 billion dollars in 2010, which was already 50% of the company’s annual turnover (Russell, 2012).

xii Before the end of the 1970s, ethical values protected accounting and auditing companies from advertising directed to clients. When the restrictions were lifted, the advertising spending of the largest CPA companies rose from 4 million dollars in 1980 to 100 million dollars in 2000 (Berton, 2003). Critics claim that by allowing companies to advertise, the business side goes beyond the professional boundaries, leading to conflict of interest. This focus gives way to fraud and causes companies to offer services that make them more consultants and business consultants than auditors. As accounting firms become less interested in lower-priced auditing by focusing on higher-priced services, problems arise due to conflicts of interests.

xiii The history of corporate scandals is a potentially good way to show students the importance of the code of ethics in decision-making. The case of Enron shows that 'how
Enron’s executives created an organizational culture in practice that has become the foundation for ethical behavior’ (Sims and Brinkmann, 2003). The majority of companies – through their management – built a culture that was passed on to their employees. In the case of Enron, executives used different mechanisms to reinforce a morally flexible culture: 'this opened the way for degradation, lies, fraud and theft’ (ibid). Ironically, it can be stated that the missing link in most of the ethical trainings in the business field is the development of 'moral courage', which is particularly important in an organizational context. Examples are abundant in individuals who are unable to do good things with 'solid' values because of the constraints imposed by authority structures and unethical corporate culture (AACSB, 2004).

xiv ‘Special purpose entity’ was not the formation that would have been deeply analyzed in many accounting courses prior to the events. However, in the light of Enron’s counterfeit tax shields, many now believe that it would have been necessary to start explaining these entities and their functioning to students in accounting courses.