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# **Do Building Up of Values Matter? An Analysis of Ethical Values of Accounting Professionals and Unethical Reporting Practices in Accounting**

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## **Abstract**

Accounting scandals have shaken the confidence of the investor in the companies. Large number of people lost their money in these scandals. All these scandals were attributed to false, misleading, or untruthful accounting. This undermines the role of accounting professionals who did not report material manipulations in the financial results of the company. The study attempted to find an association between ethical values of accounting professionals and their choices in ethical dilemmas in their profession. Correlation scores in this study revealed that there is a statistically significant low degree of positive correlation between value assessment ratings and ethical dilemmas in scenarios. Similarly, the correlation coefficients computed between scenario ratings and formal ethics education indicates that the latter would be important in preventing the instances of unethical reporting. Ethical value score of professionals were found to be more explanatory than formal ethical education. The study strongly recommends building up of rigorous ethical and fiduciary responsibility in the financial sector through various means. The auditors must be trained to become responsible, independent, and judicious while conducting audits. Professional bodies should encourage compliance with ethical reporting practices in accounting by both carrot and stick approach.

Key Words:

### **Introduction**

Some major corporate scandals such as the Enron, Global Crossing, WorldCom, Tyco, and Satyam have shaken the confidence of the investor in the companies. Large number of people lost their hard-earned money because of these scandals. If closely watched, all these scandals were linked directly or indirectly to false, misleading, or untruthful accounting. For years, the investors were kept in dark about the factual position of the company. Deliberately, the companies managed their earnings to show inflated profits and rosy financial position. Various tools are used to manipulate the earnings and financial position of the company to reflect what actually does not exist. This puts a question mark on the role of accounting professionals who fail to report material manipulations in the financial results of the company. Even though financial statements are the responsibility of management, shareholders appoint auditors to protect their interests and to add credibility to the financial information disclosed by firms. Auditors may fail to disclose such manipulations if they do not have expertise to assess financial reporting irregularity. Auditors may also intentionally bypass irregularities to serve their self interests. Staubus (2005), "If accountants and financial analysts fail to provide investors with reliable information that is relevant to their capital allocation decisions, investors and all citizens with interest in the success of the economic system will suffer" (cited from: Rhodes, 2010, p.2).

### **Review of Literature**

Al-Kazemi and Zajac (1999) explored 14 interpersonal ethics and illegal and organizational ethics behaviors. Their sample consisted of 170 Kuwaiti employees. It was found that employees who have high ethically sensitive orientation tend to react more to unethical professional decisions. Barnett and Karson (1987) found that values could predict ethical behavior in some scenarios, but not in others. Brief et al. (1996) found that there is no significant

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relationship between personal values of managers and their decisions related to misrepresentation of financial statements. Quinn (1997) indicated a significant link between respondents' ethical values and their attitudes to ethical problems in business. The study found that the respondents who were fairly active members of religious groups expressed higher concern for ethical business issues than the respondents who were involved in at least one business- related organization and those involved in at least one wider community activity groups. Thus, the personal ethical orientation of the person affects their choices in unethical dilemmas. Nonis and Swift (2001) reported that the individuals they labelled as "nondriven" based on their values survey were more inclined to make unethical decisions than other type of individuals. Trivedi et al. (2003) found statistically significant association between personal values, moral reasoning and tax law compliance decisions. They reported that altruistic individuals are more likely to comply with tax law than competitive individuals. Lopez et al. (2005) in his study found that formal business education decreased tolerance for unethical behaviour and noticed significant difference among business majors according to their specific area of study. Sarkar et al. (2006) in their studies investigated the impact of board characteristics on opportunistic earnings management in the context of a large emerging economy, India. They used a sample of 500 large Indian firms and analyzed the effect of board independence on earnings management and characteristics of directors that proxy for the "quality" of both inside and outside directors that are likely to impinge on the effectiveness of boards in curbing earnings manipulation. The results indicated that it is not board independence per se, but rather board quality that is important for earnings management. It was found that diligent boards are associated with lower earnings manipulation.

Baird and Zelin (2007) in their study sought to provide information regarding the personal values of accounting students compared to those of other students and the relationship of those values to ethical choices. For assessment of personal values, 142 students from Midwestern state university were given Schwartz values inventory. The participants also evaluated the actions of individuals in four ethical dilemma scenarios. The findings showed that the accounting majors were found to differ significantly from non accounting majors on four of ten values: power, security, self-direction, and universalism. Apart from this, it was also found that the accounting majors exhibited statistically higher disapproval of the unethical actions than the non-accounting majors, for all the four scenarios. Significant correlations of values to the ethical dilemma evaluations were found for three of the four scenarios.

McManus and Subramaniam (2009) examined the importance of mentoring support, peer influence and individual attributes of early career accountants on their ethical evaluations and behavioral intentions. The respondents indicated that their evaluation of the seriousness of the ethical conflict is affected by the perceived standard of ethical conduct of their peers, their personal ethical orientation, the extent of ethics education at the university, and the gender. It was confirmed in their study that the likelihood of respondents choosing a more ethical decision is correlated with his or her individual ethical orientation and the extent of ethics education at the university.

Rhodes (2010) conducted a study to determine if age, gender, and former ethics education had an impact on the moral decision-making process of finance and accounting professionals below the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) levels. He used Kohlberg's theory of cognitive moral development as the theoretical foundation, and the Defining Issues Test (DIT) survey to collect data via internet. ANOVA and independent

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samples t test results were applied to the collected data. The results revealed no statistical difference in ethical maturity by any of the 3 independent variables; age, gender, and formal ethics education. The study recommended that companies and educational institutions should develop more ethics courses that are targeted at finance and accounting professionals.

Singh et al. (1999, 2000, 2001, 2002 and 2007) conducted a number of studies on values of professionals. The studies strongly underlined the importance of building up ethical values of professionals. Singh and Goel (2007) did an empirical study on value based management in select Indian organisations. Singh (2002) talked about human development as a holistic perspective for developing transformational leadership from within. Singh and Goel (2001) carried out an interesting empirical study on moral values in the cyber age to examine the impact of high moral values on efficiency and effectiveness of 21<sup>st</sup> century managers of different age groups in India. Singh and Rastogi (2001) presented the concept of human value added on the lines of economic value added, Singh (2001) discussed about the relevance of Indian ethos in management. Singh et al. (2000) strongly recommended building up of ethical values as a part of a model for developing world class organizations. Singh, Maheshwari, and Goel (1999) carried out an empirical study on value based management of top level managers in India. After doing extensive review of literature, we framed the following objectives and hypotheses:

### **Objectives of the Study**

1. To test whether any significant correlation exists between ethical value assessment ratings of accountants and ethical dilemmas in their profession.
2. To test whether formal ethics education of accountants influence their choices in ethical dilemmas in the profession.

3. To formulate regression equations to define predictability of unethical action on the basis of formal ethical education and ethical value score in different positions.

### **Hypotheses of the Study**

**H<sub>01</sub>:** Ethical Value assessment ratings are not significantly correlated with ethical dilemmas in profession where accounting professional was in the position of an employee.

**H<sub>A1</sub>:** Ethical Value assessment ratings are significantly correlated with ethical dilemmas in profession where accounting professional was in the position of an employee.

**H<sub>02</sub>:** Ethical Value assessment ratings are not significantly correlated with ethical dilemmas in profession where accounting professional was in the position of a statutory auditor.

**H<sub>A2</sub>:** Ethical Value assessment ratings are significantly correlated with ethical dilemmas in profession where accounting professional was in the position of a statutory auditor.

**H<sub>03</sub>:** There is no difference in choices in ethical dilemmas among accounting professionals who have received formal ethics education at any level in their life.

**H<sub>A3</sub>:** There is difference in choices in ethical dilemmas among accounting professionals who have received formal ethics education at any level in their life. Professionals who have received formal ethics education are more likely not to choose unethical actions.

### **Research Methodology**

The present study is based on the primary data. It is an exploratory study where in the questionnaire was prepared and information was sought from chartered accountants. The data was collected from the respondents residing in Delhi and NCR. A questionnaire consisted of two sections. Section I was designed to gather profile of chartered accountants in terms of no. of years of experience and formal ethics education. Section II comprised of 2 parts. Part A of the section was self-designed and contained questions to assess certain ethical values of respondents.

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For assessment of values, values were taken from common religious literature such as truth, honesty, concern for welfare of others, independent point of view, courage to stand against wrong, self –confidence, selfless work, duty-bound, bold to handle challenging situations. The values chosen are common inherited ethical values of Indian families. Pretesting of the questionnaire revealed certain weaknesses. On the basis of feedback, two statements were dropped for the lack of understandability and inappropriateness. Two ethical dilemmas were presented to respondents in the form of scenarios in part B of the Section. The ethical dilemmas were adapted from the similar kind of study conducted by Baird and Zelin (2007) and McManus and Subramaniam (2009). The respondents were asked to react to a statement of agreement with the action illustrated in the scenario, using a five point Likert-Scale. A rating of five signified complete agreement with the action taken and one represented complete disagreement with the action.

Responses were collected through both on-line and off-line methods. List of the target population was obtained from internet from sites mainly from caclubindia.com. Some other sites such as just dial.com; yellow pages.com; ask laila.com; yahoo.com was also used to collect contact information of chartered accountants. Questionnaire was sent to 250 accounting professionals. Large number of them expressed unwillingness to participate in the survey considering it a sensitive issue. Some of them responded but did not rate the ethical dilemmas. The results of the study were compiled on the basis of opinion of 82 respondents who finally completed the survey. For analysis of the data, different statistical tools were used.

- To study the relationship between two ethical dilemmas and value assessment, pearson's correlation was used. It is considered as the most appropriate technique to correlate data. However, before computing correlation, cronbach's alpha was



calculated to check reliability of statements to assess values. The computed value was 0.772 which was quite satisfactory. Response to each item was totalled and average score of each respondent was calculated. Thereafter, the correlation was computed separately between average value score of respondent and his unethical choice in scenario 1 and 2.

- To study the relationship between formal ethics education and scenario ratings, person's correlation was used.
- ANOVA was run for each scenario, the dependent variable being scenario ratings and formal ethics education and value score as the independent variable.
- Regression Model was developed for each scenario separately.

#### **Limitations of the Study**

The scope of this study was limited to accounting professionals in Delhi-NCR. The study assumed gender to be the neutral factor; where as many earlier studies found gender to be an important factor affecting ethical maturity of chartered accountants.

#### **Description of the Sample**

The respondents in the sample were having the following description:

##### **a) No. of Years of Experience**

The attempt was done to collect the opinion from both more experienced and less experienced chartered accountants. However, young chartered accountants below the experience of 5 years were not included in the study. Table 1(a) shows the distribution of chartered accountants according to experience.

**Table 1(a): No. of Years of Experience**

<b>NO. OF YEARS</b>	<b>NO. OF ACCOUNTANTS</b>
5-10	16(20%)
10-15	14(17%)

Above 15	52(63%)
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*Figures in parenthesis show percentages*

The results presented in Table 1(a) shows that 20% of the respondents were having experience of 5-10 years, 17%, of the respondents were having experience of 10-15 years. However, majority, that is 63% of the respondents were in the profession for more than 15 years.

### **b) Formal Ethics Education**

Information was solicited about the number of respondents who had received formal ethics education. Table 1(b) displays the results.

**Table 1(b) Ethics Education**

<b>Ethics</b>	<b>No. of Respondents</b>
Received	59(72%)
Not Received	23(28%)

The results presented in Table 1(b) shows that most of the chartered accountants that is 72% had received formal ethics education at any point in their life, while 28% of the respondents did not receive any formal education.

## **Findings of the Study**

### ***Ethical Value Assessment***

Respondents were told to rate the following 7 values on the basis of their relative importance to them in terms of five point Likert Scale. The rating of 5 signified the most important, while the rating of 1 showed the least important. Higher rating means the more score on value assessment. The values are presented in Table 2.

**Table 2: VALUE ASSESSMENT**

<b>Value Assessment</b>
I cannot tolerate lies.
To me, honesty is the best policy.
I always find more pleasure in the happiness of others than mine.
I try my best to act in the welfare and justice of others and may annoy my boss and friends sometimes; if they are promoting welfare of one and not all.

I am not insecure and feel that my family and personal concerns will be automatically taken care of if I do not intentionally harm anyone.
I believe in philosophy of selfless work and do not work only to acquire social status, wealth, and control over others.
I cannot be irresponsible and if required to be extra cautious, I am ready to even postpone my holiday plans with my family.
I like challenges and I am bold to handle ever challenging situations.

Computed Cronbach's alpha (0.772) was found to be significantly high among all the statements.

Therefore, average score of each respondent was computed. Mean score was found to be 4.23 and standard deviation was 0.455. An analysis of the values shows that most of the respondents rated themselves quite high on value index.

### ***Ethical Dilemmas***

Respondents were presented with two ethical dilemmas. In the first one, the accountant went ahead with wrong disclosure to support the immediate financial planning of the organization, thus completely ignoring the interest of the investors in specific and society in general. However, in the second situation, the statutory auditor agreed to ignore the manipulation in the books to grab the next audit assignment with the same organization. In the first situation, the accounting expert was an employee appointed by the management, thus not independent. In the second situation, the accounting expert was in the position of statutory auditor, appointed by the shareholders, thus independent from point of view of law. The respondents were asked that how far they agree with the unethical action of the accounting professional on a five point Likert Scale. The highest rating signified the most ethical choice.

### **Scenario 1: Deviation from the Rule and Position as an Employee**

*Atul was an accountant in a manufacturing company. He had been working in the organization for the last 5 years. The company was planning to raise money from the market for expansion projects in the next financial year. Therefore, it was important that the*

*company looked viable to the potential investors. It was possible only when the company report huge profits in the current year. But unfortunately, some heavy repairs had to be incurred in the current financial year because of breakdown of machinery. It pulled down the profits of the company. The boss of Atul advised Atul to capitalize repair bills as development expenditure in the balance sheet. He also told Atul that if the company did not report good profits, the whole plans of expansion might be delayed. Atul agreed with his boss and decided to capitalise repair expenses as development expenditure. The results against the scenario are depicted in table 3*

Table 3: Scenario 1 Results

<b>Responses</b>	<b>Frequency</b>	<b>Percentages</b>
Strongly Agree	05	6.1
Agree	16	19.5
Neither Agree Nor Disagree	15	18.3
Disagree	27	32.9
Strongly Disagree	19	23.2
Total	82	100.00

Mean value was found to be 3.48 and standard deviation was found to be 1.219. 56% of the respondents disagreed with the action of the accountant, while 26% of the respondents supported the unethical action of the accountant.

### **Scenario 2: Deviation from the rule and Position as a Statutory Auditor**

*Sofi Ltd. appointed Ritika as the statutory auditor in this year's audit. During the course of the audit work, she found that the company was incorrectly valuing its intangible assets. This accounting treatment left material and favourable impact on the financial statements of Sofi Ltd. Ritika talked to the senior member of the management regarding it. While noting Ritika's concerns, the senior member proposed that she should not raise any concern over the valuation. He also told her that she should agree to what the management wanted;*

*otherwise she might lose the next year's audit assignment with the company. Ritika decided to take no further action and gave an unqualified report.*

The results against the scenario are depicted in table 4.

Table 4: Scenario 2 Results

Responses	Frequency	Percentages
Strongly Agree	4	4.9
Agree	9	11
Neither Agree Nor Disagree	7	8.5
Disagree	46	56.1
Strongly Disagree	16	19.5
Total	82	100.00

Mean value was found to be 3.74 and standard deviation was found to be 1.052. The results are highly skewed towards one direction. 76% of the respondents disagreed with the action of the auditor. Thus, it was found that respondents disagreed more with unethical act when accounting professional was in the position of the auditor.

#### ***Relationship between Ethical Value Score and Ethical Dilemmas in the Profession***

The first and second hypotheses posited that individual's value score would be correlated with their response in ethical dilemmas.

*Correlations:* Both the scenarios were separately correlated as there was difference in the authority and responsibility level of accounting professionals in the two scenarios. The results are presented in Table 5

Table 5: Correlations

		Avg. Value Score	SCENARIO 2	SCENARIO1
Avg. Value Score	Pearson Correlation	1	0.332**	0.371**
	Sig. (2-tailed)		0.002	0.001

	N	82	82	82
SCENARIO2	Pearson Correlation	0.332**	1	0.587**
	Sig. (2-tailed)	0.002		0.000
	N	82	82	82
SCENARIO1	Pearson Correlation	0.371**	0.587**	1
	Sig. (2-tailed)	0.001	0.000	
	N	82	82	82

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation scores show positive relation between average value score of the respondents and unethical choices in the profession. The correlation coefficient between ethical values and scenario 1 (when accounting professional was an employee) was found to be 0.371. The correlation coefficient between values and scenario 2 (when accounting professional was a statutory auditor) were found to be 0.332. In both the cases, the correlation was found to be significant at 99% level of confidence. *Since the probability of error is < 0.01, the null hypothesis stands rejected i.e., there is no statistically significant correlation between ethical value assessment ratings and ethical dilemmas in profession. It can be concluded that there is a statistically significant correlation between ethical value assessment ratings and ethical dilemmas in scenarios. Thus, the persons who have higher score on ethical value tend to disagree more with the unethical choices in the profession.*

However, in both the cases, there is low degree of positive correlation between the ethical dilemmas in scenarios and value assessment ratings. Thus, present study confirms statistically significant relationship between the value score and choice in ethical dilemmas in the profession, but the relationship is not strong. The results also confirmed positive statistically significant correlation (0.587) between two unethical actions. This is quite obvious as generally

people who commit unethical action once are more likely to behave the same when confronted with the similar situation.

*ANOVA*: was also run with scenario ratings as the dependent variable and ethical value score as the independent variable. ANOVA results indicate significant differences at 0.05 levels for both the scenarios. Thus, alternative hypotheses were supported for both the scenarios. The results are summarized in Table 6 as follows:

**Table 6: ANOVA**

		Sum of Squares	Df	Mean Square	F	Sig.
SCENARIO2	Between Groups	19.922	9	2.214	2.287	0.026
	Within Groups	69.700	72	0.968		
	Total	89.622	81			
SCENARIO1	Between Groups	28.999	9	3.222	2.537	0.014
	Within Groups	91.452	72	1.270		
	Total	120.451	81			

Thus, there is significant positive correlation between value assessment ratings and unethical dilemmas in profession in both the scenarios.

### ***Relationship between Formal Ethical Education and Ethical Dilemmas in the Profession***

The THIRD hypothesis was related with the correlation between formal ethics education with their response in ethical dilemmas. The results are presented in table 7.

**Table 7: Correlations**

		SCENARIO2	SCENARIO1	FORMALEDU
SCENARIO2	Pearson Correlation	1	0.587**	-0.288**
	Sig. (2-tailed)		0.000	0.009
	N	82	82	82
SCENARIO1	Pearson Correlation	0.587**	1	-0.357**
	Sig. (2-tailed)	0.000		0.001

N	82	82	82
FORMALEDU Pearson Correlation	-0.288**	-0.357**	1
Sig. (2-tailed)	0.009	0.001	
N	82	82	82

\*\* . Correlation is significant at the 0.01 level (2-tailed).

ANOVA: The score in the ethical dilemmas was taken as the dependent variable and formal ethics education as the independent variable. The results are presented in table 8.

**Table 8: ANOVA**

	Sum of Squares	Df	Mean Square	F	Sig.
SCENARIO2 Between Groups	19.922	9	2.214	2.287	0.026
Within Groups	69.700	72	0.968		
Total	89.622	81			
SCENARIO1 Between Groups	28.999	9	3.222	2.537	0.014
Within Groups	91.452	72	1.270		
Total	120.451	81			

ANOVA results indicate significant differences at 0.05 levels for both the scenarios.

Null hypothesis was rejected for both the scenarios. Thus, there is significant negative relationship between formal ethics education and agreement with the unethical action of the accounting professional. Those who had received formal ethical education disagreed more with unethical choices in profession.

### **Regression Model in Scenario 1(Position as an Employee) with Ethical Value Score and Formal Ethical Education as independent variables**

Regression Model is estimated with Ethical Value Score and Formal Ethical Education as independent variables. The results indicate that the value of  $R^2$  equals 0.262, indicating that 26



per cent of the variations in the choice are explained by the ethical value score and formal ethical education (Table 9.1)

Table 9.1 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.512 <sup>a</sup>	0.262	0.244	1.061

a. Predictors: (Constant), FORMALEDU, Average Value Score

Table 9.2: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.583	2	15.792	14.038	0.000 <sup>a</sup>
	Residual	88.868	79	1.125		
	Total	120.451	81			

a. Predictors: (Constant), FORMALEDU, Average Value Score

b. Dependent Variable: SCENARIO1

Table 9.3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.540	1.153		0.469	0.641
	Avg. Value Score	0.984	0.259	0.367	3.799	0.000
	FORMALEDU	-0.953	0.261	-0.353	-3.655	0.000

a. Dependent Variable: SCENARIO1

The value of  $R^2$  is significant as indicated by the p value (0.000) of F statistic as given in

ANOVA Table 9.2. The estimated regression equation as obtained in Table 9.3 may be written

as:  $Y=0.540 +0.984 X-0.953 I$ , where Y= Choice in Ethical Dilemma, X= Ethical Value Score,

I=Formal Ethical Education.

The above estimated regression equation indicates that an unethical choice in the profession (as an employee) is positively related with ethical value score as is evident from the

positive value of its coefficient (0.984). Similarly, an unethical choice in the profession is negatively related with formal ethical education as is evident from the negative value of its coefficient (-0.953). The absolute value of the Standardized coefficient shows that ethical value scores (0.367) is more important in explaining the action in ethical dilemmas than formal ethical education (-0.353).

### **Regression Model in Scenario 2 (Position as Statutory Auditor) with Ethical Value Score and Formal Ethical Education as an independent variables**

Regression Model is estimated with Ethical Value Score and Formal Ethical Education as independent variables. The results indicate that the value of  $R^2$  equals 0.191, indicating that 19.1 per cent of the variations in the choice are explained by the ethical value score and formal ethical education (Table 10.1)

**Table 10.1 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.437 <sup>a</sup>	0.191	0.171	0.958

a. Predictors: (Constant), FORMALEDU, Average Value Score

**Table 10.2 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.147	2	8.574	9.346	0.000 <sup>a</sup>
	Residual	72.474	79	0.917		
	Total	89.622	81			

a. Predictors: (Constant), FORMALEDU, Average Value Score

b. Dependent Variable: SCENARIO2

**Table 10.3 Coefficients**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
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	B	Std. Error	Beta		
1 (Constant)	1.383	1.041		1.328	0.188
Avg. Value Score	0.760	0.234	0.329	3.250	0.002
FORMALED U	-0.664	0.235	-0.285	-2.818	0.006

a. Dependent Variable: SCENARIO2

The value of  $R^2$  is significant as indicated by the p value (0.000) of F statistic as given in ANOVA Table 10.2. The estimated regression equation as obtained in Table 10.3 may be written as:  **$Y=1.383 +0.760 X-0.664 I$** , where Y= Choice in Ethical Dilemma, X= Ethical Value Score, I=Formal Ethical Education.

The above estimated regression equation indicates that an unethical choice in the profession (as statutory auditor) is positively related with ethical value score as is evident from the positive value of its coefficient (0.760). Similarly, an unethical choice in the profession is negatively related with formal ethical education as is evident from the negative value of its coefficient (-0.664). The absolute value of the Standardized coefficient shows that ethical value scores (0.329) is relatively more important than formal ethical education (-0.285) in explaining the action in ethical dilemmas in independent position.

### Major Findings and Discussion

1. An analysis of the ethical value score of the respondent showed that mean score was found to be 4.23 and standard deviation was 0.455. Thus, most of the respondents were found to have high score on value index.
2. Regarding the response to ethical dilemmas in the profession, the respondents were first presented with the situation where accounting professional violated the rules being in the position of an employee. Mean value was found to be 3.48 and standard deviation was

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found to be 1.22. 56% of the respondents disagreed with the action of the accountant, while 26% of the respondents supported the action of the accountant. In the second dilemma, the accounting professional was in the position of an auditor and did not report irregularities in the statutory report. Mean value was found to be 3.74 and standard deviation was found to be 1.052. The results are highly skewed towards one direction.

76% of the respondents disagreed with the action of the auditor. Thus, it was found that respondents disagreed more with an unethical act when accounting professional was in the position of the statutory auditor.

3. The correlation coefficient between values and scenario 1 (where accounting professional was an employee) was found to be 0.371. The correlation coefficient between ethical values and scenario 2 (where accounting professional was a statutory auditor) were found to be 0.332. In both the cases, the correlation was found to be significant at 99% level of confidence. Since the probability of error is  $< 0.01$ , the null hypothesis stands rejected as of no directional relationship (or correlation) between ethical value assessment ratings and ethical dilemmas in profession. The results also confirmed positive statistically significant correlation (0.587) between two unethical actions. ANOVA results also confirmed significant differences at 0.05 levels for both the scenarios. Thus, alternative hypotheses were supported for both the scenarios that is ethical values affect the choices of accounting professionals in ethical dilemmas. Some of the prior studies such as Al-Kazemi and Zajac (1999) and Quin (1997) found high level of association between personal ethical attitudes and ethically sensitive professional decisions. Baird and Zelin (2007) found negative correlation between benevolence and unethical decisions. However, study by Brief et al. (1996) found that personal values of managers do not bear

a significant relationship to their decisions related to misrepresentation in financial statements. In the present study, correlation scores were found to be significant but quite low.

4. The correlation score between formal ethics education and scenario ratings were found to be - 0.357 and -0.288 respectively which signified negative correlation between unethical action and formal ethical education. ANOVA results also indicated significant differences at 0.05 levels for both the scenarios. Thus, null hypothesis were rejected for both the scenarios. Thus, there is significant negative relationship between formal ethics education and agreement with the unethical action of the accounting professional. McManus, & Subramaniam (2009) examined that the likelihood of respondents choosing a more ethical decision is correlated with his or her individual ethical orientation and the extent of ethics education at the university. Armstrong et al. (2003), found association between ethics education to accounting student's moral sensitivity and development. However, Rhodes (2010) found no difference in the ethical maturity level between finance professionals who have taken formal ethics training.
5. Moderate degree of positive correlation (0.587) was found between unethical actions in the position of an employee and statutory auditor. This confirms that the persons who commit unethical action as an employee is likely to choose the same while acting in the position of a statutory auditor.
6. The estimated regression equation indicates that an unethical choice in the profession (as an employee) is positively related with ethical value score as is evident from the positive value of its coefficient (0.984). Similarly, an unethical choice in the profession is negatively related with formal ethical education as is evident from the negative value of

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its coefficient (-0.953). The absolute value of the Standardized coefficient shows that ethical value scores (0.367) is more important in explaining the action in ethical dilemmas than formal ethical education (-0.353) where in the accounting professional is under the larger control and directions of the management.

7. The estimated regression equation indicates that an unethical choice in the profession (as statutory auditor) is positively related with ethical value score as is evident from the positive value of its coefficient (0.760). Similarly, an unethical choice in the profession is negatively related with formal ethical education as is evident from the negative value of its coefficient (-0.664). The absolute value of the Standardized coefficient shows that ethical value scores (0.329) is relatively more important than formal ethical education (-0.285) in explaining the action in ethical dilemmas where in accounting professional is acting as an independent statutory auditor.

### **Conclusions and Recommendations**

Correlation scores in this study revealed that there is a statistically significant correlation between ethical value assessment ratings and unethical dilemmas in scenarios. In both the cases, there is positive correlation between the ethical dilemmas in scenarios and value assessment ratings. Similarly, the correlation coefficients were computed between scenario ratings and formal ethics education. For both the scenarios, the ratings were negatively and significantly correlated with the formal ethics education. That means, the subjects who had received formal ethics education disagreed more with the unethical action of the accounting professional. Though the predictability of both the variables have been found to be low in explaining the unethical action of the professionals. On the contrary, the importance of formal ethics education and value assessment of chartered accountants can't be ignored in preventing the cases of unethical

financial reporting. The results also indicate that the personal ethical values are more important than formal ethical education. The study does not indicate significant difference in results at two different positions as an employee and an auditor. Therefore, it is expected that the chartered accountants can be made more ethical by building up their ethical value. The study strongly recommends building up of rigorous ethical and fiduciary responsibility in the financial sector through various means. There is need to design an effective training program on the importance of ethical values at the primary level in schools and family level. It also needs to be done by embarking in professional accounting training programs specially focusing on ethical values. During professional trainings, auditors must be trained to learn compliance with accounting and auditing requirements. They should become more responsible, independent, and judicious while conducting audits. Only enforcement mechanism will not help if some firms are forced to do something unethical against their will (Daske et al., 2007). Simply, ethical values can't make the difference as interpreted from the low predictability obtained in the study. Therefore, professional bodies should encourage ethical reporting and prevent the causes of unethical reporting by various means. Regulatory authorities must put in place effective arrangements for efficient monitoring of regulatory compliance. If the law becomes more punitive for defaulters, it might act as a deterrent to unethical reporting practices. But unless we raise the consciousness level of people in general, we would continue to witness unethical practices. Hence each dimension needs to be tightened and above all moral conscience need to be evolved more amongst people.

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