

UNDERSTANDING OF THE ACCOUNTANT'S CODE OF ETHICS AND ETHICAL BEHAVIOR OF ACCOUNTING STUDENTS

Inon Listyorini ^{*}, ^{a,1}, Ehrmann Suhartono ^{b,2}, Taufik Bin Abad ^{c,3}

^{a,b,c} Universitas Teknologi Yogyakarta, Yogyakarta, Indonesia

¹ inon.listyorini@uty.ac.id*, ² ehrmann.suhartono@uty.ac.id, ³ taufik.abad@uty.ac.id

Abstract

This research aims to describe the understanding of the accounting profession code of ethics, ethical behavior, and the influence of understanding the accounting profession code of ethics on the ethical behavior of accounting students. The research was conducted by survey method, with respondents as many as 59 students who had taken Basic Auditing courses. Descriptive statistics describe a much lower ethical behavior score than the average response score to all aspects of the accountant profession's code of conduct understanding. Regression testing results show that understanding the accounting profession's code of ethics positively affects students' ethical behavior. Of the five aspects of the accounting profession code of ethics, objectivity and professional behavior positively impact students' ethical behavior.

Keywords: Ethical Behavior, Objectivity, Professional Behavior, Professional Code of Ethics of Accountants.

I. INTRODUCTION

The accountant is a profession with unique responsibilities because it works for clients and stakeholders as users of corporate financial information. Responsibility to clients and stakeholders is prone to cause conflicts of interest. To cope with it, the accountant must adhere to the rules and codes of professional ethics. In Indonesia, the code of ethics for the accountant profession is set by the Indonesian Institute of Accountants.

Nevertheless, scandals involving accountants still occur. For example, there are cases related to financial statements concerning three large Indonesian accounting firms in 2019 [1]. A similar issue was found by Ezeagba & Abiahu [2], who found evidence of the low level of application of the code of ethics to the accountant profession. The most common thing is caused by accountants thinking about their interests and gluttony of accountants. Research by Ahinful et al. [3] proves that legalistic culture and money culture result in fraud.

According to Goh [4], ethical issues in accounting practice can reduce the reputation and value of the accounting profession. Therefore, personal and professional values are essential to minimize ethical problems [5]. In addition, this indicates the need for increased ethics enforcement among public accountants. Another important thing is the effort to prepare prospective accountants to understand the code of ethics of the accounting profession and form ethical behavior as an accountant. The finding supports the importance of understanding the accountant's code of ethics, that accountants' moral beliefs are weaker than those of non-accountants [4].

This study aims to describe a picture of understanding the code of ethics of the accounting profession and ethical behavior in students as prospective accountants. An overview of understanding the professional code of ethics and ethical behavior of accounting students as a result of this research can be an input in the learning process of the professional accountant code of ethics.

II. LITERATURE REVIEW AND HYPOTHESIS

A. Ethics

Ethics comes from the Greek word *ethos*, which means norms, values, rules, and measures for good human behavior [6][7]. Ethics are generally divided into general ethics and specific ethics. Professional ethics is part of the specific ethics detailed in social ethics.

B. Professional Ethics of Accountants

Accountants in Indonesia refer to ethical provisions from the Indonesian Accountant Code of Ethics. The Indonesian Accountant Code of Ethics was adopted from the International Code of Conduct Handbook for Professional Accountants 2018 and is effective from July 1, 2020. The Indonesian Accountant Code of Ethics was prepared by the Indonesian Institute of Accountants in collaboration with the Indonesian Institute of Public Accountants and the Indonesian Institute of Management Accountants to realize synergy between professional accounting organizations and create uniformity of ethical provisions for all accountants in Indonesia. Article 110 of the Indonesian Accountant Code of Ethics formulates basic ethical principles for accountants: integrity, objectivity, competence and professional prudence, confidentiality, and professional behavior.

Integrity

The Indonesian Accountant Code of Ethics Section 100 Subsection 111 [8] states that the principle of integrity that accountants must possess is in the form of straightforward and honest actions in establishing business and professional relationships. It means a ban on accountants if they are intentionally related to communications, reports, or other information. The information has:

- a. materially misleading misrepresentation or misrepresentation
- b. carefully prepared statements or information, or
- c. unclear or missing information that must be disclosed, giving rise to misleading information.

Objectivity

The Indonesian Accountant Code of Ethics Section 100 Subsection 112 [8] states that accountants must meet the principle of objectivity, which means that accountants will not compromise if there is bias, conflict of interest, or influence of others. In addition, accountants are not allowed to conduct professional activities if conditions unreasonably affect their professional activities.

Professional Competence and Prudence

The Indonesian Accountant Code of Ethics Section 100 Subsection 113 [8] states that accountants are required to comply with the principles of competence and professional prudence so that clients get the services of a professional accountant competently following applicable standards and laws. Therefore, accountants must maintain their competence in accordance with applicable professional and technical standards. The professional competence of accountants requires continuous awareness and understanding of relevant technological, professional, and business developments. Accountants embody compliance with professional competence and the principle of prudence by taking sufficient measures to ensure that accountants work professionally with proper supervision and training.

Concealment

According to The Indonesian Accountant Code of Ethics Section 100 Subsection 114 [8], confidentiality for accountants is:

- Vigilance against the possibility of accidental disclosure, including from the Accountant's environment and in particular to family members and business associates.
- Efforts to maintain the confidentiality of information in the office or organization where the accountant works
- Efforts to preserve the confidentiality of prospective clients or the organization in which they work.
- Strive not to disclose confidential information from professional and/or business relationships outside the office or place where the accountant works unless there is a legal or professional right or obligation to disclose it.
- Efforts not to use confidential information obtained from professional and/or business relationships for the benefit of certain parties.
- Such efforts do not disclose confidential information obtained or received as a result of a professional or business relationship, even after the relationship has ended.
- Adequate efforts to ensure others respect the accountant's obligation to maintain the confidentiality of information.

Professional Conduct

The Indonesian Accountant Code of Ethics Section 100 Subsection 115 [8] states that the accountant must comply with the principle of professional conduct, which requires the accountant to comply with applicable laws and avoid behavior that may discredit the profession. In addition, accountants should not engage in any business, work, or activity that would undermine integrity, objectivity, or reputation.

C. Ethics Behaviour

Kohlberg [9] state that moral reasoning is the basis of ethical behavior. Moral reasoning is a measure of a person's high level of morality based on the development of moral reasoning from childhood to adulthood [10]. According to Goleman et al. [11] and Abdullah [12], moral reasoning is a person's judgment according to reasoning that an act done is good or bad.

D. Hypothesis

The code of ethics of the accounting profession provides a reference to accountants to fulfill their responsibilities in acting following the public interest. The code of ethics positively affects the quality of

assessment of professional accountants, so it can positively affect the quality of audits [13]. The ethical orientation of idealism positively influences the ethical perception of auditors regarding creative accounting practices. The higher the ethical perception of idealism, the more ethical auditors perceive ethical issues and ultimately reject or disapprove of innovative accounting practices [14]. Knowledge of accounting professional ethics positively affects students' perceptions of creative accounting [15]. Students consider creative accounting unethical [16].

Understanding the principles of professional ethics in the form of integrity, objectivity, competence, professional prudence, confidentiality, and professional behavior will make it easier for accountants to comply with the code of ethics, carry out moral reasoning, and act according to the ethical conduct of accountants. A good understanding of the accounting profession's code of ethics will improve accountants' ethical behavior.

H1: Understanding the code of ethics of the accounting profession has a positive effect on the ethical behavior of accounting students.

III. RESEARCH METHOD

A. Population and Sample

The population of this study is students of the accounting study program of undergraduate program. Sampling is carried out using purposive sampling techniques on the condition that students have taken introductory audit courses.

B. Research Variables and Operational Definition of Variables

This research refers to the basic principles of ethics listed in the Indonesian Accountants Code of Ethics, effective July 1, 2020 [8], as follows:

1. Integrity
Integrity means that accountants must be straightforward and honest in all professional and business relationships.
2. Objectivity
Objectivity means accountants do not compromise professional or business considerations due to bias, conflict of interest, or undue influence from others.
3. Competence and Professional Prudence
Accountants must maintain professional competence and prudence to:
 - a. Achieve and maintain professional knowledge and expertise at the level required to ensure that the client or organization in which he works obtains competent professional services based on the latest professional standards and technical standards and applicable laws and regulations, and
 - b. Act earnestly and follow applicable professional standards and technical standards.
4. Confidentiality
Confidentiality means accountants must maintain the confidentiality of information from professional and business relationships.
5. Professional Behavior
Professional behavior means that accountants must comply with applicable laws and regulations and avoid any behavior that the accountant knows may discredit the accountant profession.

Referring to Pamela [17], ethical behavior is behavior that conforms to generally accepted social norms concerning right and good actions. This ethical behavior can determine the quality of individuals (employees) influenced by factors obtained from the outside, which then become the principles in shaping behavior. Indicators of ethical behavior are:

1. Understand and recognize behavior following the code of ethics
2. Perform actions consistent with his values and beliefs
3. Act on values even though it is difficult to do that
4. Act on value even if there are considerable risks or costs

The research data were collected using the questionnaire method using the likert scale with a score of 1-5. The formulation of the questionnaire refers to the operational definition and the following indicators as explained in the table I.

TABLE I. FORMULATION OF QUESTIONNAIRE

Variable	Indicators	Item number	Items
	Integrity	1, 2	2

Understanding the Code of Ethics of the Accountant Profession [8]	Objectivity	3, 4, 5	3
	Competence and Professional Prudence	6, 7	2
	Confidentiality	8, 9	2
	Professional Behavior	10, 11, 12	3
		Total	12
Ethical Behavior [17]	Understand and recognize behavior following the code of ethics	1,2	2
	Take actions consistent with their values and beliefs	3,4	2
	Acting on values, even though it's hard to do that	5,6	2
	Act on value despite considerable risks or costs	7,8	2
		Total	8

TABLE II. AVERAGE STATEMENT SCORE

Variable Aspects	Understanding the Code of Ethics of the Accountant Profession					Ethical Behavior
	Integrity	Objectivity	Competence and Professional Prudence	Confidentiality	Professional Behavior	
Average value	4.3	4.25	4.3	4.3	4.3	3.9

TABLE III. RESULTS OF VARIABLE VALIDITY TEST UNDERSTANDING OF THE ACCOUNTING PROFESSION CODE OF ETHICS

Question Items	Calculated r value	Question Items	Calculated r value
1	0.623850	7	0.779383
2	0.708568	8	0.836075
3	0.803852	9	0.769839
4	0.798539	10	0.801368
5	0.512087	11	0.726294
6	0.780513	12	0.751751

TABLE IV. ETHICAL BEHAVIOR VARIABLE VALIDITY TEST RESULTS

Question Items	Calculated r value	Question Items	Calculated r value
1	0.734605	5	0.755019
2	0.656516	6	0.701017
3	0.521266	7	0.687385
4	0.617291	8	0.742101

IV. RESULTS AND DISCUSSION

A. Descriptive Statistics

The average response score to the revelation of understanding the accountant profession's code of ethics is as table II. The average response score to statements relating to understanding the accountant's professional code of conduct looks uniform. However, the average score is slightly lower, seen in objectivity. Nevertheless, the average response score of understanding the accounting profession's code of ethics was not followed by a variable response score of ethical behavior of the same magnitude. On the contrary, it is precisely the ethical behavior variable with a lower average score by a considerable margin.

B. Validity and Reliability Tests

The validity test was conducted with Pearson's Product Moment correlation. If the r count for each statement item is positive and is greater than or equal to the table r at 5% alpha, then the question item is declared valid. If the r count is smaller than the table r, the statement item is declared invalid. Table III shows the results of validity tests on variable question items understanding the code of ethics of the accounting profession.

Table r value 5% df 57 = 0.260. All question items in the accountant's professional code of conduct understanding variables are worth more than the value of the table r so that all question items qualify for validity. Similarly, statements in ethical behavior variables result in a higher calculated number r of the table so that all statements in ethical behavior variables also qualify for validity. The estimated r value of the statements in the ethical conduct variable is presented in table IV.

Reliability tests are conducted using Cronbach Alpha values. The instrument is declared reliable when the Value of Cronbach Alpha is more than 0.6. Reliability test results of statements in the variable understanding of the accountant's professional code of conduct and ethical conduct are presented in following table V.

From the table, it appears that Cronbach's alpha variables understanding the code of ethics of the accounting profession and ethical behavior variables are higher than 0.6, so that reliability test requirements are met.

C. Regression Results

The regression model formed in this study consists of variables understanding the code of ethics of the accounting profession as independent variables and ethical behavior variables as dependent variables. The results of the test of the regression model formed are presented in table VI. Testing of the regression model resulted in a value of F 11.8785 with a significance of 0.1%, concluding that the regression model was significant. The determination coefficient test is presented in table VII.

An adjusted R square score of 0.1579 showed that variations in ethical behavior variables were explained by accounting profession ethical understanding variables as much as 15.79%. In comparison, 84.21% variation in ethical behavior variables was described by other variables not studied by the authors. The results of testing against hypotheses using the t-test are found in table VIII.

The t-test result showed a value of t 3.44 with a significance of 0.001 and a positive coefficient. It means that with an alpha value of 5%, the variable understanding of the code of ethics of the accounting profession has a positive effect on ethical behavior.

D. Discussion

The hypothesis of the positive influence of understanding the ethics of the accounting profession on ethical behavior has been supported by statistical data. Students use the ethical considerations of the accountant profession as considerations in carrying out actions as prospective accountants. It follows the regulatory deontology theory, which states that a person's ethics or morals are considered good when in accordance with the applicable rules. This finding is in line with the results of a study by Uyar et al. [18] which found evidence that deontology positively affects the ethical awareness of accountants in Turkey. The results of this hypothesis test are also supported by the results of Pamela [17] and Kusuma [19] with accounting student respondents.

The average score of responses to statements of understanding of the accounting profession code of ethics indicates that accounting students as research respondents can understand statements related to the ethics of the accounting profession. The five aspects of understanding the professional code of ethics result in relatively equal average scores. The high average score of respondents on understanding the accounting profession's code of ethics is not followed by a lower ethical behavior score, indicating that learning to shape students' ethical behavior still needs to be implemented more intensively and deeply. Further testing of each aspect in understanding the professional code of ethics is presented in table IX.

TABLE V. RELIABILITY TEST RESULTS

Variable	Cronbach Alpha
Understanding the code of ethics of the accounting profession	0.859366
Ethical Behavior	0.719585

TABLE VI. REGRESSION RESULTS

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	2.6924	1	2.6924	11.8785	0,0010
Residual	12.9198	57	0.2266		
Total	15.6122	58			

TABLE VII. RESULTS OF DETERMINATION COEFFICIENT TESTING

R	R square	Adjusted R Square	Std. Error of the Estimate
0.4152	0.1724	0.1579	0.4760

TABLE VIII. VARIABLE COEFFICIENT TEST RESULTS

	Coefficients	Standard Error	t Stat	P-value
Intercept	2.004932	0.573006	3.498974	0.000914
Understanding the code of ethics of the accountant profession	0.456339	0.132406	3.446521	0.001073

TABLE IX. RESULTS OF TESTING INFLUENCE ELEMENTS OF UNDERSTANDING OF THE ACCOUNTANT PROFESSION CODE OF ETHICS AGAINST ETHICAL BEHAVIOR

	Coefficients	Standard Error	t Stat	P-value
Intercept	1.982886	0.565958	3.503592	0.000942

Integrity	-0.04026	0.159024	-0.25319	0.801104
Objectivity	0.461342	0.179031	2.576881	0.01279
Competence and Professional Prudence	-0.19637	0.189874	-1.03422	0.305729
Confidentiality	-0.19262	0.180781	-1.06547	0.291495
Professional Behavior	0.437555	0.15873	2.7566	0.007992

Table IX illustrates that objectivity and professional behavior positively affect ethical behavior. At the same time, aspects of integrity, competence and prudence, and confidentiality do not significantly affect students' ethical behavior. As a result, students do not use aspects of integrity, competence, professional prudence, and confidentiality as prospective accountants in taking action. These results can provide an overview as input in learning the accounting profession code of ethics that aspects of integrity, competence and professional prudence, and confidentiality aspects of the accounting profession code of ethics need to be taught in more depth.

According to article 05, three areas are identified as improving accounting ethics education. Namely, developing a more principle-based approach, changing the focus to prevent ethical failures, and empowering broader business ethics responsibilities, including accounting ethics, to society as a whole. Knowing what aspects and how is hoped to be the first step to improve and accelerate the development of accounting ethics education.

In professional ethics education, action-oriented training can also be a solution so that learning provides effective results. The empirical results are supported by the research findings of Cote et al. [20], which compare two academic approaches to learning the code of professional ethics. The results show that action-oriented training provides more effective results than traditional approaches.

V. CONCLUSION

Research into the understanding of the professional code of ethics of accountants and the ethical behavior of accounting students concluded that understanding the accounting profession code of ethics positively affects ethical behavior. Students use accountants' professional code of ethics in performing actions as accountants. However, further testing shows aspects of integrity, competence and prudence, and confidentiality are not used as considerations in performing actions as accountants. So, learning about these three aspects needs to be deepened. More intensive learning is also required in shaping students' ethical behavior because, based on descriptive statistical analysis, the average ethical behavior score of accounting students is lower than the understanding score of the accounting profession's code of ethics.

This research can be further developed as a basis for learning the code of ethics of the accounting profession and the formation of ethical behavior in accounting students, either by delving deeper into aspects of the substance of the problem and research methods, such as by conducting research in experiments, conducting direct Q&A with respondents, or by exploring ethical perceptions from the side of educator accountants and practitioner accountants.

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