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Ethical Awareness, Ethical Decision Making, and Transparency: A Study on Turkish CPAs in Istanbul

Nida Türegün

Additional information is available at the end of the chapter

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Abstract

This research aims to reveal the connections among ethical awareness, ethical decision making, and transparency from the perspective of certified public accountants (CPAs) in Istanbul. Data are collected from Turkish CPAs' survey responses, which are based on a seven-point Likert scale, and analyzed using explanatory factor analysis. Hypotheses were tested using ordinary least squares regression, and the results show that, based on the participants' average responses, CPAs are affected mainly by the level of their ethical awareness in decision making about an ethical issue or transparency of financial reports, which indicates that the three concepts are strongly connected to each other.

Keywords: ethical awareness, ethical decision making, transparency

1. Introduction

Accounting is the language of business; it records information to present the overall financial picture of a firm to related parties and help them make decisions. Economic systems rely on accounting; without which they would eventually collapse [1]. However, the structure of economic systems and strong competition have prompted some accountants to pursue unethical behaviors occasionally, with the aim of maximizing their or their companies' interests [2].

The nature of the accounting profession necessitates a high level of ethics and transparency since the financial figures on statements must be accurate, true and relevant for a better decision making process. Accountants may find themselves in a conflict with the interests of firms or personal gains while making decisions. They may desire to manipulate

accounting numbers in order to favor firm with attracting potential investors by presenting higher income or lower income before a potential management acquisition.

Moreover, accountants may have the motivation to manage reported earnings so as to meet earnings targets and, therefore, to get performance-related payment or bonuses, which are related to company's earnings. This situation generates an information asymmetry as managers practice the discretion they hold on accruals, which alternately decreases the reliability together with the relevance of reported earnings and the entire financial statements. External and internal users of financial statements require transparent and reliable information to make appropriate decisions [3]. Only knowledge of ethics can help accountants make ethical decisions to overcome ethical dilemmas, to benefit external users, especially the public, and maintain their trust in the company [4]. Accountants need to be aware of ethical behaviors, make ethical decisions under uncertain situations, and ensure transparent financial reports.

Thus, the aim of this research in this chapter is to reveal the relationships among ethical awareness, ethical decision making, and transparency from the perspective of CPAs. This study contributes to the literature in three ways. First, unlike most existing research, which focuses on ethical awareness and ethical decision making, this study includes transparency. Therefore, it extends the limited research to the relationships among the three concepts.

Second, to the best of my knowledge, this is the first field study to investigate the connections among ethical awareness, ethical decision making, and transparency in Turkey. This study focuses on Turkey since the country represents a setting that is closer to those of many emerging economies. Moreover, Turkey is one of the countries in the new set of emerging economies that is important to the world economy, and it has attracted the attention of investors. Istanbul, in particular, is chosen because of the diversity of CPAs who come to the city from every region of the country, owing to the city's better working conditions. This study also contributes to the literature by revealing the perspective of Turkish CPAs on ethical awareness, ethical decisions, and transparency, and on the relationships among these three concepts.

Third, by highlighting the relationships among these three concepts, this study recommends an area for further study. The rest of the chapter is structured as follows. In the next part of the study, the definitions and importance of ethics and transparency concepts are stated. In the third part, account profession and CPAs in Turkey are explained in details. In the fourth part, the results and analysis are discussed. In the final part, conclusions are presented.

2. Ethics and transparency

In order to understand the study in this chapter, the term ethics and transparency must be explained. Ethics is the essential concept and important value of human behavior. Ethics is a part of an attitude that includes classifying, supporting and advising concepts of right and wrong behavior. The word ethics originates from Greek with a meaning of habit. Ethics tries to determine inquiries of human ethical quality by characterizing ideas, for example, right or wrong, good or bad, virtue and vice, etc. It embraces the study of worldwide morals like

compliance to the law of land, anxiety for health and security, and for the natural habitat. Ethics influence how individuals settle on choices and direct their lives. The perception of ethics differs from country to country since the notions of ethics have been originated from religions, attitudes, and cultures.

On the other hand, for ethical financial reporting transparency plays an important role. Transparency denotes a clear, complete, and understandable reporting. It creates a setting where information is understandable, accessible and visible to all participants. Moreover, it creates a fair presentation of financial statements. Transparent financial reporting allows users of financial information to evaluate the financial position of a business. It assists investors to make better decisions and build confidence in the fairness of the markets. It is important that companies provide clear, complete and reliable financial statements in order users of financial information to be less likely astonished by unknown transactions or events [5]. However, transparency can be violated by showing more detailed information, which may release confidential information, by showing less information or by covering some transactions in the financial statements.

The central aim of unethical behavior and violation of transparency is to mislead investors by announcing financial information, which does not represent the real financial position and performance of the company. Unethical behavior and violation of transparency block decision makers to make rational, logical and realistic decisions. Therefore, uncovering and blocking unethical behavior or violation of transparency is extremely important [6].

According to Küçüksözen and Küçükkocaoğlu, there are 10 aims of unethical behavior and violation of transparency. They take place to influence stock prices and risk of a company; meet the financial conditions in debt contracts; keep good relations with investors, creditors and employees; manipulate management fees; increase the amount of funds provided by public offerings or capital increase; avoid risks that may arise from political and legal arrangements; reduce the perceived risk of investors on the company; signal about the company's future performance; provide tax advantage, and also for insider trading [7].

The following part is going to give a brief explanation about ethical awareness, ethical decision, and transparency concepts.

2.1. Ethical awareness

Ethical awareness is the eagerness and ability to designate moral situations and dilemmas; critically analyze, evaluate, and additionally change one's own moral esteems; and look up the effects of one's own attitude for the lives of others. All sizes of enterprises must be conscious of the ethical implications of their way of acting. Ethical awareness begins with watchful thinking to guarantee an enterprise's activities are morally right.

A person is ethically aware if he/she realizes that a problem he/she experiences incorporates an ethical problem [1]. A person can make right and moral decisions only if that person is aware of an ethical problem. Additionally, that person can identify the potential effects of a problem on the benefits, desires, and welfare of all related parties [8].

Most of the people think acting ethically is its personal reward, however, an enterprise likely consumes monetary motivations too. Unethical behaviors may spoil the position, reputation, and relations of an employee. Moreover, it may damage an enterprise's image, which will end up with losing current and potential customers. Indorsing ethical awareness among employees stops issues from developing in any way.

2.2. Ethical decision

A person's moral choice from among the many possible choices is called an ethical decision [1]. An ethical decision is one that is acknowledged on moral grounds by most of the general public or one that is acknowledged legally. On the other hand, an unethical decision is one that is acknowledged as illegal or immoral. Ethical decision making induces a person to make an ethical decision in uncertain conditions or in ethical dilemmas, relying on his/her assessment at that moment [9].

Making decent ethical decisions needs an educated understanding of ethical concerns, besides a trained manner for discovering the ethical features of a decision and evaluating the thoughts that would affect our decision of a course of action. It is important to have a way ethical decision making.

The more different and problematic the ethical choice we confront, the more we have to depend on talk and exchange with others about the situation. Just through watchful investigation of the issue, supported by the bits of knowledge and alternate points of view of others, we would be able to settle on great moral decisions in such circumstances.

Each profession group is faced with ethical dilemmas while carrying on their activities. Moreover, some professionals may be a threat to society by acting unethically. Some professionals, who are unethical, may advocate various misconceptions such as "everyone is doing it", "moral if it is legal", "possibility of being exposed and punished" in order to justify unethical behavior in the face of ethical dilemma [10, 11]. Ethical values must be taken into account in the practice of professional activities since legal sanctions and written rules designed to prevent unethical behavior are not enough alone. Accountants who hold the foresight of society's interests should be willing to act ethically in the face of ethical dilemmas. In addition, ethical dilemmas should be tried to prevent unethical behavior and contribute to ethical decision making efforts [12].

2.3. Transparency

The word transparency means straight, very clear, honest, and true. Transparency for financial reporting means financial statements that are true and reliable.

The level of access to a firm's financial information by internal and external users, especially investors, is called transparency [13]. Transparency helps decrease price volatility since all users of financial information have the same data for making decisions. It is a very important concept for companies because the more transparent financial reports become, the more investment companies will receive, and the higher their stock prices will be [14].

Nobody can disregard the significance of transparency in financial reporting since individuals make their investments with respect to the financial reporting. Investors believing that

they are transparent. Investors need more transparent data about the monetary information of the organization. Actually, transparency is the quality of report that supports investors in settling on certain investment choice. It is worthy of recommendation to the investors that those organizations who do not comprehend the significance of transparency in financial reporting ought to be kept away from. Making interests in such organizations is unsafe.

Organizations that comprehend the significance of transparency in their statements are moreover knowledgeable about the investor-state of mind. A nontransparent financial report presents no information regarding the true risks attached to the organization. Here is a basic case of this. An essential marker of future development of an organization is the means by which it has contributed the cash. As an investor, when you search for the invested amount you cannot find a solid data with respect to the speculations made by the organization, at that point evaluating investments turns out to be hard. Nontransparent financial statements also mask the debt level. In this way, an organization may hide whether the organization is on the precarious edge of liquidation.

2.4. Ethical regulations in accounting

It is clearly accepted that preparing financial statement takes in the usage of judgment and assumptions. It means that prepared financial statements might demonstrate different results than if they had been produced for the identical company, identical period but by different equally qualified professional. Nevertheless, both kinds of financial statements meet the prevailing requirement of displaying a true and a fair view. The flexibility of management decision, used to affect the reported results, might generate opportunities so-called “earnings management”. A number of individuals argues that numerous companies legally practice earnings management. The common reason behind this is to fulfill the expectancies of analysts, regardless of the inspection from auditors, investors, and authorities [15].

Accounting scandals that were taken place in the beginning of 2000s put forward the significance of reliability in accounting information. Enron misrepresented earnings and reserved massive debts off the balance sheets, WorldCom increased revenues with fake journal entries and capitalized expenses; Tyco International siphoned millions of dollars over unapproved loans and deceitful stock sales and so on. After these scandals, many investors at different levels experienced big losses, and capital markets came under question. Accordingly, new regulations come into charge to assure faithful representation and prevent healthy pricing in the market. As a result of these scandals and other situations regulations on ethics have been made.

The significant international ethical regulations in accounting consist of “The Ethical Standards of the Accounting Profession”, published by the American Institute of CPAs in 1966, and revised and republished in 1988 as the “Code of Professional Conduct”; the “Code of Ethics”, published by the International Organization of Supreme Audit Institutions in 1998 [16]; the Sarbanes-Oxley Act, which came into force in 2002 [17]; the “Rulebook for Code of Ethics”, published by the Institute of Internal Auditors in 2010 [18]; and the “Code of Ethics”, published by the International Federation of Accountants (IFAC) in 2005 [19].

Meanwhile, the significant Turkish ethical regulations in accounting include “General Accounting Practice Implementation”, published by the Ministry of Finance in 1992, and the ethics-related

regulations that came into force with Law No. 3568 in 1989 [2]. In Turkey, the increased public interest to the ethics concept has arisen with the 2001 economic crisis. The reforms in ethics inevitably took place in the period following the crisis. For the purpose of recovery and improvement of ethics, the “Code of Ethics” has been issued by the Union of Chambers of Certified Public Accountants of Turkey in 2013 [20]. Additionally, the “Ethical Rules for Independent Auditors”, published by the Public Oversight, Accounting, and Auditing Standards Authority in a bulletin in 2015 [21]; and the ethics-related regulations published by the Capital Markets Board (CMB) in its bulletins, especially Bulletins No. 1 and 16 [22, 23].

3. Account profession and CPAs in Turkey

An accountant is a person who records, classifies, summarizes, analyzes, interprets, and reports results to related parties, creates accounting policies, and generates financial information for budget and audit purposes to help strategic management and planning [24].

The accounting profession has reached the status of “profession” with the Law on Public Practice Accounting, independent accountant, and financial advisor and Certified Public Accountant numbered 3568 and amended by the Law No. 5786 published in Official Newspaper in 1989, in Turkey. Occupational practitioners keep records that should be held by the enterprises, arrange financial statements and declarations, establish accounting information system, conduct consultancy, and expertise.

Professionals in Turkey are carrying out their activities under the name of two types of professional titles: independent accountant and financial advisor and certified public accountant (CPA). Independent accountant and financial advisors perform bookkeeping, prepare financial statements and declarations, establish accounting information system, conduct consultancy, and expertise in accordance with generally accepted accounting principles and related legislative provisions [12]. On the other hand, CPAs have more credibility and expertise since they have to pass particular tests and meet licensing requirements. They can prepare and sign tax returns and moreover prepare audited financial statements. However, they cannot open an accounting office and cannot be partners in any accounting offices.

Union of Chambers of Certified Public Accountants and Sworn-In Certified Public Accountants of Turkey (TÜRMOB) is a center that gathers the accounting profession under a single roof in Turkey.

3.1. Accounting profession ethics

Accounting profession ethics is a set of rules that should be implemented by professional accountants during the execution of the activities and even in situations and periods in which professional activity is not carried out for any reason, to provide reliable information by paying attention to the value judgments of the society as well as making transactions in accordance with the laws and relations with customers, society, colleagues, and related sectoral organizations [12].

Intended for accounting profession protection of public confidence and increase the credibility of the profession in the community connected with having ethical values in addition to complying with legal regulations related to practice of professional accountants. As in every profession, there are not only specific legal rules in accounting profession, but also ethical principles and rules that made by accounting organizations [25].

The factors, legal regulations, free electoral rights and ethics that affect professional decisions and behaviors of accountants are the points of action in professional decisions for them. According to these points, a profession in the context of the mentioned factors, making professional decisions in the knowledge of ethical and ethical dilemma of professionals is the responsibility to them against the public.

An accountant should act within the framework of ethics and responsibilities as well as professional knowledge and experience, resolve any dilemmas with professional ethics when confronted with any value judgment contradiction. Otherwise, it will be inevitable that new financial crises and scandals will come out again. Therefore, technical information for accountants as well as professional knowledge and experience harmonized with ethical values are so vital in terms of society and the credibility of the profession.

It would be useful to talk about some ethical theories that affect the professional ethics decisions of accountants. Theories of teleological and deontological ethics from these theories mainly emerge in the profession decision making stages of profession members. While teleological ethics is based on the principle that utopia is the right choice based on utility-cost comparison, while deontological ethics developed by Kant is based on the fact that the forms of movement of individuals and groups depend on moral obligations and duties [12].

The moral principles and rule-of-thumb of the community also play an active role in the attitudes and behaviors of accountants in the practice of the profession. Therefore, it is obvious that these troubles will affect every part of the society, which is caused by a number of troubles, especially corruption, in societies not sensitive to moral rules. It should be kept in mind that the accounting profession is performing its services as part of the society in which it is located.

Oriented toward ethics in the accounting profession extensive work has been done and ethical principles and rules have been set not only at Turkey from TÜRMOB according to 3568 code and related regulations, but also from International corporations as The International Federation of Accountants, American Institute of Certified Public Accountants (AICPA), The Federation of European Accountants and Institute of Management Accountants. The study on professional ethics in the United States, where the largest regulations in the accounting profession are found, is the "Professional Ethics Standards in the Accounting Profession" published by AICPA.

Although there are partial differences in principle, it is possible to count rules as "independence, integrity, honesty, confidentiality, public benefit, professional dignity, professional care, professional competence, compliance with accounting principles and standards, confidentiality, social responsibility, impartiality, unfair competition, advertising and incitement prohibition" [12].

Oriented toward accountant profession in Turkey, set of principles and rules have been established in order to enable accountants to have a sense of higher professional knowledge, social

responsibility, understanding of ethical values, and maximizing the public interest by providing quality services.

According to the “General Communiqué on Accounting System Application” published by the Ministry of Finance, the regulations on accounting profession ethics are composed of 12 basic concepts. Constitution of accounting, social responsibility, neutrality and faithful representation, consistency, full disclosure and substance over form are the concepts related to ethics. From these concepts, the concept of social responsibility requires accountants to engage in ethics in their profession and to take care of the public interest. Other concepts indirectly concern the ethics dimension of the profession [25].

Moreover, CMB has published bulletins based on the Public Disclosure principle in which it was addressed issues related to professional ethics. The Board has undertaken efforts to regulate professional ethics in the bulletins by covering professional competence, independence, care and diligence, under the title of occupational standards.

In accordance with another regulation on accounting ethics in Turkey, Law No. 3568 “Regulations Regarding Working Methods and Principles” published in the direction of work discipline, professional confidence and professional ethics. This law regulates issues related to the ethical and moral values such as the activities that the professions would fulfill or unable to engage in, and the occasions incompatible with profession and professional honor. The “Disciplinary Regulation”, which was published for accountants in the Official Newspaper No. 20556 in 1990, states that it is necessary to act within the framework of profession ethics and morality. Otherwise, punishment and sanctions will be subjected. It should also be noted that the Code of Professional Ethics, published in the Official Newspaper No. 24557 in 2001, is a direct regulation of the accounting profession ethics. In addition, TÜRMOB published IFAC publications in the name of “The Code of Ethics Handbook for Professional Accountants”, translating the regulations into Turkish, which is related to professional ethics.

“Public Oversight, Accounting and Auditing Standards Authority”, which is established by Provision No. 660 and published in the Official Newspaper No. 28103 in 2011, provides the accounting and auditing standards in accordance with the regulations on occupational ethics and regulations in line with the regulations on occupational ethics in the bulletin on “Independent Auditing Regulation” that contributes to the development of the audit profession.

3.2. Ethics literature on accountants

Empirical studies in the “Ethics and Accounting Education in the UK – A Professional Approach?” suggest that even the best accountant is below the average in terms of ethical behavior, despite the expectations from accountants to operate in a state of high ethical standards. The study emphasizes the difference between what is expected and realized, is the result of inadequate education. Universities are not able to adequately fulfill the ethical training that their future professionals need, and as a result of this, accountants are experiencing failures in the face of ethical dilemmas [26].

The work on “Accounting Professional Ethics Rules and Perceptions of Those Rules by Professionals” was carried out to reveal the knowledge, thoughts and perceptions of accountants

operating in Balıkesir province in Turkey. Honesty is one of the main principles of ethics. The study has detected that this principle is perceived by accountants as protecting the taxpayer and public interest equally, being principled, protecting professional reputation and giving confidence. However, in general, it seems that there is little knowledge about the subject of professional ethics [27].

It has been revealed in the “Occupational Ethics, and The Effects of Occupational Ethics on Professional Life” that accountants are aware that they will suffer from their inability to act in line with ethical principles, however, they have not been sufficiently rigorous [28].

The main focus on “The Role of Personal Value in the Emergence of Ethical Dilemma: An Application on Accountants” is to disclose whether accountants in Kars and Erzurum have experienced ethical dilemma or not. The study reveals that accountants have experienced ethical dilemma in relation to factors such as income, age and losing customers. It has been found that the accountants, who are old and have low income, have experienced more ethical dilemmas, while other accountants, who have lower level education in terms of education factor, give more importance to ethical values at the outset of ethical dilemmas [10].

“Accounting Ethics-Responsibility Versus Creativity” suggests that accountants, who face ethical dilemma, must develop their values and virtues in order to overcome an obstacle like creative accounting. Also, suggests that there should be a regulatory accounting system, which will help to strengthen the existing accounting standards. The ethics have a direct impact on the credibility of the accounting profession, and directly affect the perspective of the society to the profession and its members. In addition, the study emphasizes the necessity of ethical education, since the crises and scandals that have been experienced, is a result of inadequate attitude of accountants in ethical issues [29].

The study in the “Accounting Professional Ethics and An Application in Sivas Province” reveals that social pressure, education level, auditing activities, penal sanctions and conscientious responsibilities have impact on accountants to follow the ethical rules. Responses from accountants indicate three factors, which are desire to earn more money, moral weakness, and lack of professional ethics education in educational institutions [30].

The study conducted on “A Research About Ethical Judgment Levels of Accountants” measures the level of ethical judgment of accountants by using value determination test. Moreover, the study reveals the demographic variables to see whether they are differentiated at the levels of ethical judgment. It was found that the level of ethical judgment is in compliance with Kohlberg Conventional Level and accountants comply with the in house published rules and principles [31].

It has been revealed in the “Occupational Ethics in Accounting Profession and an Application in Kayseri Province” that accountants care about ethics and 97% of the accountants think that there is a need for ethics training. Moreover, accountants think that the occurrence of unethical cases is due to conflicts of interest regarding to monetary relations, and lack of laws and legislations [32].

The survey on “Attitudes of Accounting Professionals and Businesses on Ethics” found that members of the accounting profession believe that honesty, trustworthiness and objectivity should be based on profession and that only self-employed professionals should be

prohibited from taking custody from customers in the case of work done on a Turkey basis for attitudes toward ethics by accounting professionals and businesses. In addition, it has been determined that the members of the profession do not participate in certain provisions of TÜRMOB's ethical code, but they are mostly engaged in professional activities in accordance with the principles and rules [33].

It was mentioned in "The Contribution of Islamic Ethics Towards Ethical Accounting Practices" that individual ethical developments of accountants improve their business ethics [34]. It is stated in "Ethics in Accounting Professionals: Research on Accountants in Ankara Province" that accountants should give importance to in-service training and it would be beneficial to increase the efforts toward the trial to prevent possible unethical behaviors that may be encountered in the profession [24]. According to the study conducted on "Ethical Perceptions of Independent Accountant and Financial Advisor: Erzurum Case" the accountants were aware of ethical principles; however, they were unaware of unethical behaviors. It has been suggested that more education should be given to organizations and accountants about ethics. In addition, it has been determined that the commitment to ethical principles is directly proportional to the level of education and income [35].

It was found in "The Problems and Ethical Attitudes of Accounting Professionals Toward Accounting Errors and Frauds: A Model Practice in City of Erzurum" that apprentices do not have sufficient knowledge about ethics and that there are instabilities in the unethical cases, investigation of ethical aspects of accounting mistakes and mistakes of city of Erzurum accountants and candidate trainees. As a result of the study, it was concluded that vocational training is necessary [36].

It was stated in "The Role of Personal Value in the Emergence of Ethical Dilemma: An Application on Professional Accountants" that the ethical dilemma is the process of indecision that arises when there are truths that can be discussed on opposite sides of an event. In the process of preparing financial statements, accountants often face ethical dilemmas. In addition to legal and regulatory compliance of accountants, it is also important to be committed to ethical principles [37].

It was found in "Perspectives of Professional Accountants on Professional Ethics: A Research in Kırklareli Province" that about 81% of the accountants had an ethical dilemma in their professional activities. Dominant factors revealed as religious beliefs, values about the cultural environment, and anxiety about losing taxpayers. Additionally, it has been observed that accountants are interested in teaching accounting profession ethics [38].

4. Hypothesis development

Studies that investigate the relationships among accountants' levels of ethical awareness and ethical decision making have obtained similar results. According to Shafer et al., accountants' levels of ethical awareness affect their behavior toward aggressive financial reporting [39]. According to Uyar and Ozer, and Liyanapathirana and Samkin, accountants' levels of ethical awareness affect their ethical decision making positively, in Turkey and Sri Lanka, respectively [1, 40]. Based on the findings of these studies, hypothesis 1 is developed as follows:

H1: The level of ethical awareness of CPAs affects their ethical decision making positively.

No study has examined the relationships between ethical decision making and transparency from the perspective of CPAs, although the literature has provided some explanations related to the linkage between these two concepts. Logically, if a person is ethically aware, then he/she can make ethical decisions, and consequently, can create transparent reports and have the desire to increase transparency. In other words, there is a chain effect among these three concepts. Therefore, hypothesis 2 is developed as follows:

H2: The level of ethical decision making of CPAs affects transparency positively.

Finally, hypothesis 3 is developed to determine whether ethical awareness directly affects transparency.

H3: The level of ethical awareness of CPAs affects transparency positively.

5. Study methodology and implementation

The aim of this field study is to reveal the connections among ethical awareness, ethical decision making, and transparency from the perspective of CPAs. Certain measurement tools were utilized to test the hypotheses and achieve the study's aims. A 30-item multi-factorial scale was developed to reflect the ethics and transparency concepts. This scale enables the study to find answers to the research questions, such as what CPAs believe and why they believe them. Each participant was requested to specify his/her response on a 7-point Likert scale, the format of which is coded as strongly agree (-3) to strongly disagree (+3). The survey questionnaires were distributed to 600 CPAs in Istanbul. A total of 162 questionnaires were returned, but only 138 questionnaires were completed and processed for data analysis, since 24 of the returned questionnaires were excluded due to incomplete responses.

SPSS is used for the data analysis. Specifically, explanatory factor analysis and OLS regression were performed to analyze the survey data and test the hypotheses. According to the CPA respondents' demographic data, 85% of the respondents are male, 37% have a high school diploma, and 63% have a college degree.

6. Results and analysis

The suitability of the ethical awareness, ethical decision making, and transparency variables for the factor analysis are tested using Bartlett's test of sphericity and the Kaiser-Meyer-Olkin measure of sampling adequacy test (KMO). The KMO yields a value of 0.781, and the Bartlett is smaller than 0.05, which means the observed variables are suitable for factor analysis. The explanatory factor analysis results with the variable factor loads are shown in **Table 1**, and the average responses based on the Likert scale are shown in **Table 2**.

Table 1 shows the factor analysis results for the statements for each of the three factors of ethical behavior awareness, ethical decision making, and transparency. Meanwhile, the results

in **Table 2** are obtained by considering the five highest average responses to the statements for each of the three factors. Based on the responses to first group of statements for the factor of ethical awareness, most of the CPAs disagree that other CPAs in their company engage in unethical practices. They may have answered so to protect the reputations of fellow CPAs, but their response may also simply indicate that they trust other CPAs. Most of the CPAs are aware that if they engage in unethical practices under any conditions, they will be fired. Likewise, most of them are aware that if they participate in unethical practices for their own interests, they will be immediately reprimanded.

Most of them are also aware that if they participate in unethical practices for their company's interests, they will be immediately reprimanded, but the average response to this statement is distinctly lower than that to the former statement. Some of the CPAs may think that if they engage in unethical practices on behalf of their companies, top management may ignore what was done or may even promote them since their actions may have increased profits to a desired level without drawing the attention of anyone inside or outside of the company. The last item in the factor group is that most of the CPAs think that unsuccessful CPAs engage more in unethical practices than successful ones to achieve a short-cut to success. The last three items in the factor group are an indicator that companies have not yet fully complied with the Turkish ethical system for accounting, and still exhibit unethical behaviors.

Based on the responses to the second group of statements for the factor of ethical decision making, most of the CPAs check what is the right thing to do when they are uncertain of what to do, and they do not hesitate to ask what is the right thing to do when something has gone wrong. They do not make decisions by themselves, to avoid making mistakes under certain conditions. According to **Table 2**, most of the CPAs learned how to make ethical decisions from their family, and not from the ethics training or lessons they took. The reason behind this finding is Turkey's family-centered culture. The development of a person's ethical beliefs starts with learning solid family values at home. On the other hand, most of the CPAs think that being a whistle-blower is not always a bad thing. This line of thinking may be explained by signaling theory, which is the idea that one party convincingly signals information to another party. They think whistle-blowing is efficient if managers signal their private information to outsiders to improve their awareness and support dialog among the public, owners, and managers [41, 42]. With regard to the last item in this factor group, most of the CPAs think that it is not appropriate to compromise one's ethics to be successful, not even for a promotion.

Based on the responses to the third group of statements for the factor of transparency, most of the respondents think that transparency is vitally important for companies, and agree that financial reports are trustworthy and reliable if CPAs prepare them. Additionally, they think that it is not easy to violate transparency in their companies. This result indicates that they are aware of the consequences of engaging in unethical practices. On the other hand, they believe their financial reports are not fully transparent. This result indicates that even though they prepare trustworthy financial reports, they do not trust top managers or owners of their companies, who they think may interfere with the numbers for their own or their companies' interests. This result indicates a possible problem with the implementation of penalties under related laws, and compels us to think about whether audit organizations' work should improve and be more detailed.

Ethical behavior awareness	There are numerous opportunities for CPAs inside my company to take part in unethical practices	0.901
	There are numerous opportunities for CPAs outside of my company to take part in unethical practices	0.893
	Most CPAs are aware of the code of ethics	0.845
	CPAs in my company usually participate in practices that I think are unethical	0.813
	CPAs outside of my company usually participate in practices that I think are unethical	0.804
	In my company, unsuccessful CPAs are usually more unethical than successful ones	0.791
	In my company, CPAs are aware that under no conditions will unethical behaviors be tolerated	0.771
	If a CPA inside my company is found to have participated in unethical behaviors that serves	0.745
	His/her own interest (rather than the company's interest), he/she will be immediately reprimanded	0.722
	If a CPA inside my company is found to have participated in unethical behaviors that serve	0.625
	The company's interest (rather than his/her own interest,) he/she will be immediately reprimanded	0.603
CPAs are aware of sanctions and penalties for unethical behaviors	0.542	
Ethical decision making	I check what is the right thing to do when I am uncertain of what to do	0.900
	I ask what is the right thing to do when something has gone wrong	0.859
	If I notice a mistake or manipulation in financial statements, I try to fix it myself	0.856
	If I notice a mistake or manipulation in financial statements, I do not tell anyone	0.837
	I will fulfill top management's request for something that I think to be unethical	0.803
	If I could protect myself from punishments and sanctions, I would engage in unethical practices	0.772
	Being a whistle-blower is not always a bad thing	0.749
	To be successful in my company, sometimes it is appropriate to compromise one's ethics	0.711
I learned to make ethical decisions from my family	0.638	
I learned to make ethical decisions from my ethics training/lessons	0.541	

Transparency	Transparency is vitally important for companies	0.905
	It is easy to violate transparency in financial reports in my company	0.896
	I believe my company's financial reports are fully transparent	0.869
	My company tries to create a culture of transparency	0.860
	My company is more concerned with the bottom line than creating moral responsibility	0.794
	Trust is based on the transparency of financial reporting	0.777
	Financial reports are generated by trustworthy CPAs in my company	0.664
	Financial reports are generated by trustworthy CPAs in other companies	0.620
	I know the consequences of inadequate and deceitful financial reports created through unethical practices	0.504
	It is easy to violate transparency in financial reports in other companies	0.501

Method of factor determination: principal component; rotation method: Varimax, revealed variance: 77.43%.

Table 1. Explanatory factor analysis concerning ethical awareness, ethical decision making, and transparency.

	Questionnaire item	Average response	Standard deviation
	<i>Ethical behavior awareness</i>		
1.	There are numerous opportunities for CPAs in my company to take part in unethical practices	0.62	2.07
2.	There are numerous opportunities for CPAs outside of my company to take part in unethical practices	-1.34	1.47
3.	Most CPAs are aware of the code of ethics	-1.01	2.01
4.	CPAs in my company usually participate in practices that I think are unethical	2.26	1.01
5.	CPAs outside of my company usually participate in practices that I think are unethical	-0.05	1.67
6.	In my company, unsuccessful CPAs are usually more unethical than successful ones	-1.52	1.69
7.	In my company, CPAs are aware that under no conditions will unethical behaviors be tolerated	-2.10	1.34
8.	If a CPA in my company is found to have participated in unethical behaviors that serve his/her own interests (rather than the company's interest), he/she will be immediately reprimanded	-2.11	1.25
9.	If a CPA in my company is found to have participated in unethical behaviors that serve the company's interests (rather than his/her own interest), he/she will be immediately reprimanded	-1.84	1.21

Questionnaire item	Average response	Standard deviation
10. CPAs are aware of sanctions and penalties for unethical behaviors	-0.99	1.03
<i>Ethical decision making</i>		
1. I check what is the right thing to do when I am uncertain of what to do	-2.67	1.05
2. I ask what is the right thing to do when something has gone wrong	-2.20	1.27
3. If I notice a mistake or manipulation in financial statements, I try to fix it myself	1.04	1.89
4. If I notice a mistake or manipulation in financial statements, I do not tell anyone	1.25	1.93
5. I will fulfill top management's request for something that I think to be unethical	-1.02	1.22
6. If I could protect myself from punishments and sanctions, I would engage in unethical practices	-1.03	1.73
7. Being a whistle-blower is not always a bad thing	2.29	2.13
8. To be successful in my company, sometimes it is appropriate to compromise one's ethics	2.38	1.51
9. I learned to make ethical decisions from my family	-2.12	1.01
10. I learned to make ethical decisions from my ethics training/lessons	0.15	1.13
<i>Transparency</i>		
1. Transparency is vitally important for companies	-2.72	1.01
2. It is easy to violate transparency in financial reports in my company	2.29	1.29
3. I believe my company's financial reports are fully transparent	2.17	2.21
4. My company tries to create a culture of transparency	0.04	1.92
5. My company is more concerned with the bottom line than creating moral responsibility	1.92	1.78
6. Trust is based on the transparency of financial reporting	-2.03	1.26
7. Financial reports are generated by trustworthy CPAs in my company	-2.19	1.09
8. Financial reports are generated by trustworthy CPAs in other companies	-1.85	1.39
9. I know the consequences of inadequate and deceitful financial reports created through unethical practices	-1.08	2.04
10. It is easy to violate transparency in financial reports in other companies	1.22	1.26

Table 2. CPAs' responses to ethical behavior awareness, ethical decision making, and transparency.

OLS regression is performed to test the hypotheses, and the results are presented in **Table 3**. The first column of **Table 3** shows that the ethical awareness variable affects ethical decision making positively ($F = 17.023$, $p = 0.00$). Accordingly, hypothesis 1 is accepted. Therefore, as the level of ethical awareness of CPAs increases, their ability to make ethical decisions also increases. This outcome suggests that CPAs know when situations they face are ethically problematic or include ethical dilemmas, and that they need to make ethical decisions.

Variable	Ethical decisions		Transparency		Transparency	
	β_i	t	β_i	t	β_i	t
Constant	0.702	4.137	0.659	3.264	0.432	1.783
Ethical awareness	0.564	3.287***			0.263	1.189**
Ethical decisions			0.535	4.738***		
R ²	0.307		0.278		0.102	
F	17.023***		15.198***		21.267***	

**Significant at the 0.05 level.
***Significant at the 0.01 level.

Table 3. Regression results.

The second column of **Table 3** shows that the ethical decision variable affects transparency positively ($F = 15.198$, p -value = 0.00). Accordingly, hypothesis 2 is accepted. Therefore, as the level of ethical decisions of CPAs increases, their desire to create transparency also increases. This outcome suggests that these three concepts are strongly related to each other. Thus, there is a chain effect, where ethical awareness affects ethical decision making, which, in turn, affects the level of transparency.

The third column of **Table 3** shows that the ethical awareness variable affects transparency positively ($F = 21.267$, p -value 0.00). Accordingly, hypothesis 3 is accepted. Therefore, as the level of ethical awareness of CPAs increases, their desire to create transparency also increases. This outcome suggests that even though we exclude the ethical decisions variable, transparency is directly affected by ethical awareness. Consequently, ethical awareness is a noteworthy factor that affects ethical decision making and transparency.

7. Conclusion

Based on the average of the CPAs' survey responses, in the process of their decision making about an ethical issue or transparency of financial reports, CPAs are affected mainly by their level of ethical awareness. CPAs check what is the right thing to do when they are uncertain of what to do, and they do not hesitate to ask what is the right thing to do when something has gone wrong. This outcome indicates that they are ethically aware, which also allows them to make ethical decisions. The results of this study's analysis show that the three concepts of ethical awareness, ethical decision making, and transparency are strongly connected to each other.

Because of Turkey's family-centered culture, development of the knowledge of ethics begins in the family, and this tendency ensures that an individual is raised with morally sensitive feelings and a higher level of ethical awareness. Therefore, according to the results of the analysis of the survey responses, most of the CPAs believe they generate transparent reports, but they still hesitate to trust their top managers and owners, who have the power

and motivation to act in their own interests. This finding reveals a problem of trust among accountants in Turkey; specifically, it indicates a problem in the implementation of the penalties under related laws, even when such laws are considered inadequate and deterrent.

Thus, ethical awareness affects ethical decision making and transparency and therefore, when the levels of ethical decision making and transparency increase, the level of ethical awareness also increases. Hence, it would be helpful to provide ethics lessons in schools or raise more public awareness about ethics.

The major accounting scandals (e.g. Enron, Lehman Brothers) from around the world have prompted the public to question the accountants' ethics. While accountants embrace their significant roles in generating and auditing financial information for the benefit of society, they face many ethical problems in their daily lives. Their unethical practices can damage all interested parties, and for this reason, they should adapt to rapid changes in accounting standards and legislation to maintain their competitive power, and consequently, their ethics. Therefore, the concepts of ethical awareness, ethical decision making, and transparency should be understood more clearly.

This chapter clearly indicates the importance of ethics to accounting profession. Ethical awareness, ethical decision making, and transparency are important concepts for every profession, individual and society. However, in terms of the accounting profession, it is not exaggerated to attach vital importance to the subject. The accounting profession at the production center of qualified information is important for all segments of the society in the light of the information they provide. Therefore, efforts to raise ethical awareness, ethical decision making and transparency for professionals are needed.

Author details

Nida Türegün

Address all correspondence to: nida.turegun@ozyegin.edu.tr

Ozyegin University, Çekmeköy, İstanbul, Turkey

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