

The Influence of Professionalism and Perceived Threats on the Ethical Judgment of Accountants

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ABSTRACT

This study examined the influence of professionalism and perceived threats on the ethical judgment of accountants. The study employed a descriptive correlational design and utilized a purposive sampling technique in gathering data from the 110 participants who have at least three years of working experience as accountants. The validated survey questionnaire was distributed after getting the approval of the Ethics Regulatory Board. The findings of the study indicate that self-interest, self-review, familiarity, and intimidation have a significant relationship to the ethical judgment of the accountants. Furthermore, self-interest, self-review, and intimidation as sub-variables of perceived threats emerged as the predictors of ethical judgment. Based on the results, the researchers recommend that accountants should be more aware of perceived threats that may affect their ability to create an unbiased ethical judgment. To gain a more comprehensive understanding on the ethical judgment of accountants, further investigation through a qualitative study is recommended in order have a differ understanding on the factors affecting the ethical judgment of accountants.

Keywords: *accountant, professionalism, perceived threats, ethical judgment*

INTRODUCTION

Accounting fraud continues to be a significant issue in the global economy, with its prevalence notably increasing during the COVID-19 pandemic. Although auditors play a role in detecting fraud in financial statements, their capacity is inherently limited, highlighting the need for firms to also prioritize internal factors, such as the ethical behavior of employees (Beanworks, 2021; Ustinova, 2023). Ethics are fundamental to the accounting profession, as unethical practices have historically resulted in severe consequences, including loss of stock value, diminished public trust, and even global financial recessions (Mele, et al., 2016; Lail et al., 2017). Studies suggest that ethical judgment plays a crucial role in identifying fraudulent activities, and research has aimed to examine the influence of professionalism and perceived threats on ethical decision-making (Ramos et al., 2019; Chimonaki, et al., 2023).

Numerous studies have explored ethical judgment, showing that it evolves in response to societal and technological advancements, which continually shape and complicate decision-making processes (Edel, 2020). Barrainkua and Espinosa-Pike (2018) examined how professionalism influences auditors' ethical judgment in Spain, but the study faced limitations, including the exclusive focus on auditors and the potential influence of Spain's unique cultural

and regulatory environment. These factors suggest that the results may differ if replicated in other contexts, such as the Philippines. Similarly, Johari et al. (2017) investigated the "Effects of Auditors' Ethical Orientation and Self-Interest Independence Threat on the Mediating Role of Moral Intensity and Ethical Decision-Making Process," but their research was also limited by its focus on auditors and its examination of only one perceived threat, with the study being conducted in Malaysia. The geographic location of these studies is crucial, as differences in economic conditions, culture, and regulatory environments can significantly impact the ethical judgments of accountants. Accountants are often exposed to ethical dilemmas in the workplace; therefore, this research aims to examine the influence of professionalism and perceived threats on the ethical judgment of accountants.

LITERATURE REVIEW

Accounting frauds are still prevalent in the economy today and the percentage of occurrence dramatically increased and affected the business world despite the presence of independent auditors (Brooks, 2018; Vriens et al., 2018; Dunn, & Sainty, 2020). Despite the fact that accounting standards are updated from time to time in order to present a more reliable financial statements, accounting frauds cannot be fully eliminated (Lail et al., 2017; Fatemi, Hasseldine, & Hite, 2020; West, 2018). Ethical judgment can lessen the risk of fraud in a company (Kirado, 2020) and it can also increase the value of a company when consumers or clients perceived the business operations as ethical (Aifuwa et al., 2018; Shaikh, 2023). Beyond applying ethics only to avoid penalties (Adekoya et al., 2020), there are many companies now who prioritize their ethics as they see it as a bridge to sustainable development (Sepasi, 2018; Vriens et al., 2018; Nambukara-Gamage & Rahman, 2020). In the field of accountancy, ethics is the heart of its values and principles the public is the foremost stakeholder to consider (Jaijairam, 2017; Aifuwa et al., 2018).

Professionalism is perceived as an important factor in the workplace for it shows how a person carries themselves and how they communicate with others (Sinambela et al., 2020; Richardson, 2020). One of the causes of accounting fraud is the lack of professionalism and that some companies are leaning their decision-making on gaining more profits rather than on an ethical viewpoint (Barrainkua & Espinos-Pike, 2018; Fernandhytia, & Muslichah, 2020; Rustiarini et al., 2021). Accountants are no exception in the use of professionalism (Tuan et al., 2020; Dunn & Sainty, 2020). Professional accountants must handle sensitive data responsibly and provide unbiased financial information to the public and they must at all times uphold standards of integrity, objectivity, independence, and competence in all their professional work (Jaijairam, 2017; Payne et al., 2020; Bulo, et al., 2020).

Professional accountants frequently encounter perceived threats in their practice, stemming from various relationships and situations that pose ethical challenges (Dharmasiri et al., 2022). Recognizing these threats is crucial, as they can undermine the fundamental principles and frameworks that accountants must adhere to (Larmande & Lesage, 2023). By identifying and understanding these threats, accountants can implement appropriate safeguards to maintain their professional integrity and uphold ethical standards (Ye & Simunic, 2024; Louwers et al., 2018).

Studies and literature about ethical judgment have been numerous and it is shown that ethical judgment keeps on changing and developing as societal life and technology accelerate, grow, and become more complex (Edel, 2020; Ishwara & Naod, 2024). There have been studies such as how professionalism influences the ethical judgment of auditors which was conducted in Spain (Barrainkua, & Espinosa-Pike, 2018).

METHODS

Research Design

This study employed the descriptive-correlational design. Data was collected and analyzed using the survey method to obtain quantitative data on frequencies, means, and standard deviation. Furthermore, inferential statistical tests like Pearson Correlation, and Multiple Regression were also used to determine relationships and influences.

Population and Sampling Technique

This study was participated by 110 accountants which is computed using the G*power software to calculate the sample size of an unknown population. The criteria used in the selection of the participants are the following: (1) bachelor's degree in accountancy; (2) obtained at least 3 years of experience as an accountant; and (3) place of work is in the National Capital Region.

Instrumentation

The researchers adapted the questionnaires used by the following researchers: Barrainkua, I., & Espinosa-Pike, 2018, Ireneo et al., 2018, and Salinas & Rotman, 2020. The questions were measured using a four-point Likert scale to avoid neutrality of the respondent's answer.

The questionnaire had four parts. The first part contained the demographics of the respondents. The second part included questions about professionalism using accountability and commitment to public service as sub-variables. The third part assessed the respondents' engagement to the influence of perceived threats on ethical judgment using self-interest, self-review and advocacy, familiarity, and intimidation as sub-variables. The Likert scale was used to answer the questions, ranging from *Strongly Disagree* (1), through *Disagree* (2), *Agree* (3), and *Strongly Agree* (4).

Analysis of Data

Mean and standard deviation were used to determine the extent of professionalism, perceived threats, and ethical judgment of accountants. Pearson's Correlation was used to determine the relationship of professionalism and perceived threats to ethical judgment. The significance level of 0.05 with a 95% of confidence level was used in the statistical test. Multiple regression was used to determine the influence and predictability of professionalism and perceived threats to ethical judgment.

Ethical Considerations

The researchers seek the approval of the University Ethical Board Committee before the distribution of the questionnaire to the respondents. Also, a consent was requested from the respondents to ensure their voluntary participation to the study.

RESULTS AND DISCUSSION

Professionalism

According to Sinambela et al. (2020) and Richardson (2020), professionalism is an important factor in the workplace for it shows how a person carries themselves and how they communicate with others.

Table 1 shows the level of professionalism of accountants. Of the two dimensions of professionalism, accountability had a greater mean of 3.53 (SD=0.41) which is interpreted as very high level while commitment to public interest had only a mean of 2.86 (SD=0.30) which is equivalent to high level. Moreover, the overall level of professionalism of the accountants had a mean of 3.20 (SD=0.26) which is equivalent to high a level.

Table 1
Level of Professionalism of Accountants

	Mean	SD	Scaled Response	Verbal Interpretations
Accountability	3.53	.41	Strongly Agree	Very High
Commitment to Public Practice	2.86	.30	Agree	High
Overall	3.20	.26	Agree	High

Scoring System: 1.00-1.49 = Strongly disagree (Very low), 1.50-2.49 = Disagree (Low), 2.50-3.49 = Agree (High), 3.50-4.00 = Strongly Agree (Very High)

The result indicates that the respondents have a high level of professionalism and implies that this variable is a valued attribute of an accountant. The result agrees with PowerDMS (2020), stating that professionalism is important in the workplace.

Perceived Threats of Accountants

Johari et al. (2017) stated in their study that auditors who are prone to fraud are affected by the pressures or threats they perceive in the workplace. These perceived threats, according to the Corporate Finance Institute (2021) are self-interest threat, self-review threat, advocacy threat, familiarity threat, and intimidation threat.

Table 2 below shows the summary of the results of the respondents' response. As shown in the table, the sub-variable with the highest mean is self-review (M=2.49, SD=.62) followed by Advocacy (M=2.03, SD=1.64). The sub variable with the lowest mean is intimidation (M=1.46, SD=.51).

Table 2
Level of Perceived Threats of Accountants

	N	Mean score	SD	Verbal Interpretations
Self-interest	110	1.86	.43	Low
Self-review	110	2.49	.62	Low
Advocacy	110	2.03	.45	Low
Familiarity	110	1.68	.56	Low
Intimidation	110	1.46	.51	Very Low
Overall level of perceived threats	110	1.90	.36	Low

Scoring System: 1.00-1.49 = Strongly disagree (Very low), 1.50-2.49 = Disagree (Low), 2.50-3.49 = Agree (High), 3.50-4.00 = Strongly Agree (Very High)

The results imply that the accountants’ perceived threats as to self-interest and intimidation is very low. Additionally, it implies that the accountants perceived threats as to self-review, advocacy, and familiarity are low. Furthermore, the results also imply that accountants can handle perceived threats that may arise in the profession. The result of this study is consistent with the study of Johari et al. (2017) which specified that perceived threats affects the ethical decision making of accountants.

Ethical Judgment of Accountants

Ethical judgment is crucial in the accounting profession as it ensures that accountants adhere to moral standards and maintain public trust (Baiada-Hireche & Garmilis, 2016). Table 3 shows the mean, standard deviation, and verbal interpretation of the level of ethical judgment of accountants. Of the seven items that was used to measure the level of ethical judgment of accountants, item number six “Being known as a person who integrity is important to me” got the highest mean (M=3.68, SD=0.47) which is interpreted as highly ethical. Meanwhile, the item which got the lowest overall mean score was item 1 “When making an ethical decision, one should pay attention to other’s needs” (M=2.76, SD=0.78) which is equivalent to ethical. The overall mean level of ethical judgment of the accountants is 3.20 (SD=0.38) which is considered to be ethical.

Table 3
Accountant’s Level of Ethical Judgment

Items	N	Mean	SD	Verbal interpretation
When making an ethical decision, one should pay attention to the others’ needs	110	2.76	.78	Ethical
A person’s action should be described in terms of being right and wrong	110	3.00	.61	Ethical
Giving a false statement is wrong because no one should lie	110	3.25	.68	Ethical
Unethical behavior is best described as a violation of some principle of the law	110	3.26	.62	Ethical
Thinking of occupations, I could see myself a wise judge	110	2.99	.70	Ethical
Being known as a person who has integrity is important to me	110	3.68	.47	Highly ethical
When thinking through ethical problems, I try to make reasonable distinctions	110	3.46	.54	Ethical
Grand mean	110	3.20	.38	Ethical

Scoring System: 1.00-1.49 = Strongly disagree (Not Highly Ethical), 1.50-2.49 = Disagree (Not Ethical), 2.50-3.49 = Agree (Ethical), 3.50-4.00 = Strongly Agree (Highly Ethical)

The results show that accountants are ethical. This implies that accountants follow rules and guidelines in their judgment while practicing their profession. The result agrees with Lavis (2019) which stated that in the field of accountancy, ethics is the heart of its values and principles.

Professionalism and Ethical Judgment

Table 4 presents the correlation analysis between social influence and saving behavior. The result of identifying the relationship between professionalism and ethical judgment of accountants in NCR is not significant. The results revealed that professionalism is not correlated with the ethical judgment of the participants in the study (Accountability, $r=.173$; $p=.071$; Commitment to public service, $r=.084$; $p=.383$).

Table 4
 Professionalism and Ethical Judgment

Professionalism	Ethical Judgment			
	n	R	p-value	Interpretation
Accountability	110	0.173	0.071	Not Significant
Commitment to Public Service	110	0.084	0.383	Not Significant

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

The results revealed that the relationship is not statistically significant at .05 level. Therefore, the null hypothesis that states there is no significant relationship between professionalism and ethical judgment is accepted. This means that regardless of the respondents' level of professionalism, their ethical judgment remains the same.

Perceived Threats and Ethical Judgment

Table 5 presents the correlation analysis between perceived threats and ethical judgment.

Table 5
 Correlation Between Perceived Threats and Ethical Judgment

Perceived Threats	Ethical Judgment			
	n	R	p-value	Interpretation
Self-interest Threat	110	-0.304	0.001	Significant
Self-review Threat	110	0.291	0.002	Significant
Advocacy Threat	110	-0.179	0.061	Not Significant
Familiarity Threat	110	-0.208	0.029	Significant
Intimidation Threat	110	-0.216	0.024	Significant

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

The results revealed that the relationship is statistically significant at .05 level. Therefore, the null hypothesis that states there is no significant relationship between perceived threats and ethical judgment is rejected. This means the respondents' level of perceived threats is related to their ethical judgment. According to a study, moral intensity acts as a mediator between the auditors' ethical orientation and the threat of self-interest to their ethical judgment (Johari et al., 2017).

Predictors of Ethical Judgment

Table 6 discusses the results of Multiple Regression Analysis performed to determine which among the dimensions of professionalism, and perceived threats in the accounting profession significantly predict the ethical judgment of accountants. Since both dimensions of professionalism were not significantly correlated to ethical judgment, it is expected that these will not also be significant predictors. Meanwhile, of the four dimensions of perceived threats in the accounting profession which were found to have significant relationship to ethical judgment, three of these—self-interest threat ($t=-2.92$, $p=0.004$), self-review threat ($t=4.05$, $p<0.001$), and intimidation threat ($t=-2.07$, $p=0.041$)—are significant predictors of ethical judgment. Familiarity threat, though significantly correlated to ethical judgment, was not a significant predictor of ethical judgment. Furthermore, the model derived from the results of regression analysis which also found to be significant indicates that about 22.5% of variability in ethical judgment is accounted for by self-interest threat, self-review threat, and intimidation threat ($F=10.28$, $p<0.001$).

Table 6
Regression Model on Predictors of Ethical Judgment

	B	T	P-value	R ²	F	Sig
Constant	3.31	17.32	0.001	0.225	10.28	<0.001
Self-interest threat	-	-2.92	0.004			
	0.24					
Self-review threat	0.22	4.05	0.000			
Intimidation threat	-	-2.07	0.041			
	0.15					

Predictors of Ethical Judgment of Accountants

The results revealed that self-interest threat, self-review threat, and intimidation threat influences the ethical judgment of accountants. This implies that the ethical judgment of the respondents is likely influenced by self-interest, self-review, and intimidation threat. Therefore, the null hypothesis stating that professionalism do not predict the ethical judgment of accountants is accepted. Meanwhile, the hypothesis stating that perceived threats do not predict the ethical judgment of accountants is rejected.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

An accountant’s ethical judgment might be influenced by a variety of factors. Among them is professionalism and level of perceived threat. Professionalism is measured by accountability and commitment to public interest. On the other hand, perceived threat is measured by self-interest, self-review, advocacy, familiarity, and intimidation. An accountants’ level of perceived threat may influence their ethical decision making but according to the study, professionalism is not significantly related to the ethical judgment of

accountants. Meanwhile, perceived threat is significantly related to the ethical judgment of accountants.

The results of the study indicated that the level of professionalism among the respondents is high. This indicates that accountants practice a high level of professionalism in the workplace. As accountants, they are expected to act professionally for the betterment of the organization and all stakeholders concerned.

The level of perceived threats among the respondents is also low. This means that the respondents usually experienced low-level threats as they exercise their ethical judgment in the profession. This should be the case as accountants have the responsibility to come up with unbiased reports and decisions.

The study revealed that the respondents, particularly the accountants work ethically. Additionally, it was found that professionalism is not related to how accountants practice ethical judgment in their professional. Furthermore, perceived threats, particularly self-interest, self-review, familiarity, and intimidation were found to be related to the ethical judgment of the respondents. It was also found that self-interest, self-review, and intimidation are predictors of ethical judgment among the respondents who are accountants.

Based on the results, it is advisable that accountants need to be aware the factors that can influence their ethical judgment in order to maintain integrity and objectivity in the profession. To develop a more comprehensive understanding of accountants' ethical judgment, it is advisable to conduct a qualitative study. Such research would provide insights into the various factors influencing accountants' ethical decision-making.”

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