

# Idealism Relativism and the Professional Ethic of Accounting: A Review of CPAs in Gaziantep

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## Abstract

This study, which deals with impacts of different aspects of the culture on the ethics, aims to show how ethical position of those who practice the profession of accounting affects decision-making process. In this context the data obtained from Certified Public Accountants (CPAs) in Gaziantep was analyzed.

**Key words:** Ethic, Idealism, Relativism, Professional Ethic

## 1. Introduction

Each individual bases his/her decisions on a number of values in everyday life. Defining those aspects may provide important contributions in decreasing wrong behaviors.

Culture is one the most important aspect which affects ethical decision-making process (Ralston et.al. 1994; Rawwas 2001; Singhapakdi et.al. 1994). Differences between managerial decisions are reflection of cultural diversity and as a result of this, mental structures having different compositions makes it possible to distinguish one culture from the other (England 1975; Hofstede 1991).

According to the study by Vitell et.al. (1993) the classification of Hofstede is applicable to ethical situations. This study, which deals with impacts of different aspects of the culture on the ethics, aims to show how ethical position of those who practice the profession of accounting affects decision-making process. The rest of the study contains a number of statements based on this relationship.

## 2. Literature

Ethics can be defined as “inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards, and rules of conduct” (Taylor 1975). Ethical values have a vital importance in terms of culture as they form base for beliefs which show to society what is right and what is wrong (Hofstede, 1991).

Generally it is assumed that when managers encounter situations with ethical dimensions they make their decision with different moral values (Ferrel and Gresham 1985; Ferrel et.al. 1989; Hunt and Vitell 1986, 1993). In their study on ethical process in marketing Ferrel and Gresham (1985, p.88) have shed light on the importance of moral values in ethical decision-making process.

The first studies on ethics in accounting were conducted by the AICPA in the USA. A code of conduct to be followed by accountants in Turkey was published in 2001 by Union of Chambers of Certified Public Accountants Turkey (TURMOB). In 2007 a by-law about "Ethical Rules to be Followed by Chartered Accountants and Certified Public Accountants in their Professional Activities" was enacted on the basis of Article 50<sup>th</sup> of the Profession Law. Also congresses on ethics regularly organized by the TURMOB show the importance of ethics.

In every field of activity dilemmas in profession are normal situation. However this kind of situations is more likely and poses a much greater importance in accounting which affects society directly or indirectly. There is a substantial literature on possible dilemmas of those who practice the accounting profession in Turkey (Kutlu 2008; Uslu 1998; Selimoğlu 1997; Özen et.al. 2006; Toraman and Akcan 2002, etc.).

According to Kutlu (2008) person's individual characteristics has a direct impact on person's decisions regarding ethical dilemmas. Among the results of the study is that inexperience, low level of education and low number of clients may cause increase in facing more ethical dilemmas.

In literature, moral philosophy is basically studied under the theories of deontology and teleology (Beauchamp and Bowie, 1979; Murphy and Laczniak, 1981). As Hunt and Vitell (1986, p.6) stated; "deontological theories focus on the specific actions or behaviors of an individual, whereas teleological theories focus on the consequences of the actions or behaviors." In managerial decisions both approaches have impact (Mayo and Marks 1990; Vitell and Hunt 1990).

According to Forsyth (1980) although there are many available methods to explain individual differences in moral attitudes, relativism and idealism are defined as to the most basic aspects of explanation in moral decisions (Hogan 1970; Kelman and Lawrence 1972; Kohlberg 1968; Rest et.al. 1974; Schlenker and Forsyth 1977).

Relativism implies individual's level of ignorance of universal moral principles while reaching moral judgments. Forsyth (1980, p.175) defined relativism as "reject the possibility of formulating or relying on universal moral rules when drawing conclusions about moral questions". Whereas idealism assumes that "desirable consequences can, with the right action, always be obtained" (Forsyth 1980, p.176). Idealist individuals make use of absolute codes when making moral judgments. Forsyth (1992) suggested that idealism and relativism dimensions may affect decision-making process in companies. Aristotle's ethical theory may help to explain this concept. According to this theory the aim of the moral life is to provide individual perfection. This requires individual to take responsibility of his/her actions and does not hide behind general rules. Consequently, morality of the judgments in relativism varies from individual to individual and from society to society.

Societies with high level of idealism have high level of avoidance from uncertainty and of dimensions of power distance. Ethic codes guiding idealist individuals in decision-making process have a positive effect on uncertainty because it helps individual to decide how to behave in different situations (Vitell et.al., 1993).

In their ethic theory Hunt and Vitell (1986) stated that detecting an ethically problematic situation acts as a catalyst in ethical decision-making process. Beneath this

situation lies individual's values and belief system. In their conditionality model Ferrel and Gresham (1985) have not took the nature or characteristic of ethical issues as a big factor in decision-making process. Instead the ethical issues were identified as a premise for the construction of individual decision-making process.

It can be expected that societies with high level of uncertainty avoidance may have less probability of perception of ethical problems when compared with societies having low level of uncertainty avoidance (Singhapakdi et.al. 1994).

Studies on ethics in Turkey are in line with idealistic framework. For Arslan (2001) Turkish business managers show very high levels of the Protestant work ethic values due prevailing political, cultural and economic conditions in business environment. According to the study by Vasquez-Parraga and Kara (1995) socialization process and cultural values of Turkish managers are affective in their deontological and teleological evaluation in decision-making process. On the other hand, Mengüç (1998) observed that Turkish managers behave more appropriate with deontological approach in decision-making process.

Along with impact of societal characteristic on decision-making process it makes possible to evaluate and orientate processes from this perspective. In his study Hofstede defined Turkish society as feminine, collectivist and having high level of uncertainty avoidance and power distance.

Professional ethics, laid down for certain professional groups, are the rules that have to be followed or must be implemented by those who exercise the profession. At the same time, professional ethics show how members should behave and regulates the internal competition within the profession (Dalay 2000).

Accounting profession is the implementation accounting science which include among others gathering information about the company, recording, classification and submission to the person/institution concerned. The profession's activities are to prepare and approve financial statements and tax statements, to plan, and to provide consultancy services.

Accounting professional ethics consist of rules that must be adhered by member of the profession while exercising the profession. These rules must be implemented also in the absence professional activities in line with law and regulations as well as social values when submitting statements to concerned person/institution.

The aim of by-law on accounting professional ethic is defined as; to determine the minimum ethical principles to have members with the highest degree of professional knowledge and with social responsibility, based on ethical values, competitive to offer better quality of service delivery, reliable and reputable professionals (TESMER 2007).

Professional ethic is adversely affected by the ethical dilemmas and ethical deviation. Ethical dilemma can be explained as presence of two conflicting parties having questionable accuracies. The ethical deviation is the situation where the decisions are taken unethically. Selfishness and having different ethical standards than everybody else cause ethical deviation. We can often encounter ethical dilemmas in everyday life. We can solve ethical dilemmas by questioning who (and how) will be affected from an incident and accordingly taking and implementing the right decision (İşgüden and Çabuk 2006).

To develop ethical rules and principals for accounting profession in Turkey, works of national and international institutions are taken into consideration. The first international institutions among the others can be named as International Federation of Accountants Ethics Committee-IFAC and The American Institute of Certified Public Accountants-AICPA (Gül and Ergün 2004). Along with works of these institutions, Union of Chambers of Certified Public

Accountants and Chartered Accountants Turkey (TURMOB) plays an active role in arrangements regarding the profession in Turkey (Akdoğan 2003).

AICPA Code of Professional Conduct consists of four chapters. These are; principles, rules of conduct, interpretations of the rules of conduct and ethical rulings. Principles are listed as responsibilities, public interest, integrity, impartiality and independence, professional care and qualification and scope of the service (www.cpestore.com).

To determine the level of ethical dilemmas of accountants Kutlu (2008) conducted a survey with 136 members of accounting profession in Kars and Erzurum provinces. It is stated in the study that members of the profession face ethical dilemmas and the intensity of this dilemma varies according to factors like income, age and customer. Also it is stated that there could be differences in resolving dilemma; depending on age, level of education and importance given to cultural factors.

Under the arguments presented above the following hypothesis are formed;

**H1: Ethical position of individuals affects the likelihood of facing ethical dilemma**

**H1a: Idealist individuals are less likely to face ethical dilemma than relativist individuals.**

**H1b: Relativist individuals are less likely to face ethical dilemma than idealist individuals.**

### 3. Methodology

The data used in this study were obtained from CPAs operating in Gaziantep. In this context, 217 questionnaires has been delivered to CPAs and 129 were appropriate for analysis.

In the process of forming the scale, in order to determine ethical position 20 questions were adopted from Forsyth (1980) under idealism-relativism scale. To measure ethical dilemmas that can be faced by members of the profession a total of nine questions were adopted from Kutlu (2008). Apart from these three questions were included to specify demographic characteristics of the participants.

The sum of the scores of the answers to questions on the ethical position of the participants shows whether they are close to idealist framework or relativist framework. As score gets higher they are close to idealist framework and lower scores means they are close to relativist framework. For idealism-relativism scale Cronbach's alpha coefficients are calculated as 0,72 and 0,81. For the ethical scale in accounting profession Cronbach's alpha coefficient can be accepted as 0,75.

The table showing the breakdown of the demographic characteristics of the participants are listed below.

Table 1:  
Work Experience

Experience (Year)	Number	Percent
1-5	15	11,6
6-10	30	23,3
11-15	27	20,9
16-20	12	9,3
21+	45	34,9
Total	129	100,0

Participants who practice the accounting profession for 21 or over years constitute the widest range with 34,9%. They are followed by 23,3% with 6-10 years, 20,9% with 11-15 years, 11,6% with 1-5 years and lastly %9,3 with 16-20 years of experience indicates the distribution of the sample. It can be said that relatively the sample has a high work experience.

Table 2:  
Age Range

Age	Number	Percent
18-29	15	11,6
30-39	54	41,9
40-49	33	25,6
50-59	27	20,9
Total	129	100,0

The majority (41.9%) of the participants are aged between 30-39 years. The smallest range is 18-29 ages which constitutes 11,6% of the participants. It can be said that this in line with work experience figures.

Table 3:  
Gender Distribution

Gender	Number	Percent
Female	18	14,0
Male	111	86,0
Total	129	100,0

Male constitutes the majority of the participants. The share of females in the sample is just 14%. Sample showing a distribution concentrated demographically makes analysis meaningless in terms of these variables.

#### 4. Analysis

After necessary score calculations to explain the relationship between ethical position of participants and possible dilemmas, to determine inter-group differences between variables of ethical position and variables ethical dilemma Anova test is performed using SPSS 21 program.

Table 4:  
Descriptive Statistics

		Std. Deviation	Std. Error	Average (95%) Lower Limit	Interval Upper Limit	Complementary Inter Variance
Idealism	Fixed Effect	,29160	,02567	4,3352	4,4369	
	Random Effect		,08769	4,1991	4,5729	,08386
Relativism	Fixed Effect	,61785	,05440	3,3573	3,5729	

Random Effect	,12223	3,2046	3,7256	,14292
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As can be seen from the Table 5, there are similarities between idealism scores and scores of accounting ethics. In situations where individuals are close to ideal framework probability of facing a dilemma while performing the profession is decreasing. Contrary to this, if individuals get closer to relativist framework likelihood of facing an ethical dilemma increases.

Table 5: Anova

		Sum of Squares	df	Squares' Avg.	F	Significance
Idealism	Inter Group	11,186	15	,746	8,770	,000
	Intra-Group	9,609	113	,085		
	Total	20,795	128			
Relativism	Inter Group	22,617	15	1,508	3,950	,000
	Intra-Group	43,136	113	,382		
	Total	65,753	128			

As shown on the table differences between groups are significant at  $p < 0,01$  level. Hence it can be stated that hypothesized in the study are acceptable.

The results of the regression analysis, carried out to determine how much of accountants' ethical attitudes against incidents can be explained by variables of idealism and relativism, are presented below.

Table 6:  
Regression Analysis

Summary of the Model <sup>b</sup>				
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Standard Error of Estimate
1	,526 <sup>a</sup>	,276	,245	,45302

27% of the variance of ethical behavior can be explained by the individual's dimension of idealism and relativism. In social sciences there can be combined effect of numerous variables on a concept. As the level of explanation is realized at 27% only for two variables it can be said that claims put forward by the study are achieved.

## 5. Conclusion

The research provided data on how individuals, performing the accounting profession, approach potential dilemmas within idealist and relativist frameworks. Individuals with idealistic framework are less likely to experience problems when facing dilemmas while individuals with relativistic framework are more likely to experience problems.

Although accounting ethics is a subject frequently studied in the literature, studies with realistic and relativistic dimensions are relatively less. Therefore one of the outcomes of the study is the contribution to the relevant literature. Also, submission of data which help forming the ethical codes of conduct by considering different dimensions can be regarded as another contribution of the study.

As the study is conducted with CPAs in Gaziantep it has narrow coverage. To overcome these limitations similar studies with different region and professions can be suggested. Also inclusion of different variables such as the moral basis of Machiavellianism may improve the coverage the research.

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