Ethics and the Accountants in Turkey

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Abstract

Factors influencing the accountants ethics have attracted attention in Turkey following a series of collapses in the Turkish financial system due to auditing failures and professionals ethic abuse. There is a growing concern over the ethics of professionals today. Unethical dealings in the accounting profession is a concern for most governments. (Finn et al, 1988) In today's auditing scandals fundamentals are not lack of intelligence or education anymore but instead a lack of professional ethics. (Choe Kum-Lung, 2010) This current situation has intensified the importance of accountancy and the accountants perception of ethics in the governance of corporations especially in developing countries. (Barclay and Smith, 2003) This study aims to explore the influence of age and gender towards factors affecting the accountants (Certified Public Accountants) perception of ethics in Turkey. Self-administered questionnaire with scale of 1-5 was used to measure CPA's perception of ethics with reasonable good score on Cronbach's realibility test. With Cronbach alpha of .718 and KMO (Kaiser-Meyer-Olkin Meaure of Sampling Adequecy) .614 (which sould be greater than .5 for a satisfactor analysis), the reliability of the instrument is considered adequate for this study. Subsequently, we proceeded to our analysis successfully. Results showed that age and gender were significant determinants to factors affecting Certified Public Accountants perception of ethics in Turkey.

Keywords: Certified Public Accountant (CPA), Ethics, Turkey

1. Introduction

Advanced perception of compelling factors, makes professional public entities important to know, such as PA's serving CPA profession in Turkey. The Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey have codes of conduct on its web-site. They have an thics Commission in their organization structure. The Union was the first PA to publish Ethics Regulation in official gazette (2007). And established Ethics Committe in 2008. (TYEC Report Vol.I-II, 2009)

A code of ethics is a crucial element in forming a professional CPA in the accountancy profession. (Smith and Smith, 2010). Specific responsibilities of the accounting profession are expressed in the various codes of ethics promulgated by the Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey. Accounting professions foundations are; generally accepted body of knowledge; widely recognized standard of attainment, and an enforceable code of ethics.

2. Background

The focal point of this paper is took at Certified Public Accountants perception of ethics in Turkey from an empirical point of view rather than normative. Accountancy practice has become very competitive, our concern is about the "decline in professional ethics", within accountancy profession. (Parker, 2010) Certified Public Accountants must follow a code of ethics. Despite important legal reforms in Turkey, the most significant regulatory controls on Certified Public Accountants ethics continue to be the traditional requirements of admission, registiration to PAs, intern training, certification, discipline and penalties for breach of duties. (Parker, 2010) Each country and states has its own accountancy ethics code or rules, but generally they set out how Certified Public Accountants are expected to act while in their professional dealings. Turkish accountancy profession rules are determined by the Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey. It is mandatory for Certified Public Accountants to be registered with the Certified Public Accountants Association where they are domiciled.

2.1. Literature

The literature on accountancy ethics in Turkey evolved beginning of 1980's but rather slowly and insufficiently. They were distinguished under either normative or empirical studies in genaral. (Özdemir, 2009) Empirical research on Turkish CPA's perception of ethics is not sufficient as suspected; (Wilson,1997; Kotar,1997; Özocak, 2001; Kılıç, 2002; Toraman, 2002; Uysal, 2002; Bektöre, 2003; Ergen, 2003; Kırlıoğlu, 2003; Akyel, 2005; Kutay, 2005; Özbirecikli, 2006; Güredin, 1997; Ünlü, 1997; Özel, 2000; Özocak, 2001; Kılıç, 2002; Toraman, 2002; Toraman, 2003; Kutay, Tükenmez, Akkaya; 2005; Özbirecikli, 2006; Güredin, 1997; Kotar, 1997; Selçik, 1997; Ünlü, 1997; Namal, 1997; Oğuz Y.,1996; Erdemir AD., 1999; Öztürk H., 1996; Karakaya H., 1993; Yıldırım N., 1990-1993)

Literature focusing especially on accountancy ethics also are; (Yüksel, 2001; Çiftçi and Çiftçi, 2003; Önce, 1999; Sözbilir, 1999; Baker, 1996; Özkol, 2005; Gül, 2004; Ergün, 2004; Kıymet, 2004; Karness and Sterner, 1998; Cohen and Pant, 1989; Armstrong and Mintz, 1989); Ethics in accounting (Kohlberg, 1969; Linda Thorne, 2001; Erwin Waldmann, 2000); ethics education in accounting (Alan Lovell, 1997; Mary Beth Armstrong; J. Edward Ketz, Dwight Owsen, 2003; Leung and Cooper, 1995; Bok, 1988; Jones, 1992; Loeb, 1988; Ward, Ward and Wilson, 1996; Loeb and Bedingfield, 1972; McNair and Milam, 1993; Laws (Armstrong vd., 2002); PAs and ethical codes (Langenderfer and Rockness, 1989; Rest, 1988; George, 1987, Shaub, 1991; St Pierrè, 1990; Ponemon, 1993); unethical dealings (Finn et.al., 1988); gender and age (Ford and Richardson, 1994; Collins, 2000; Sankaran and Tung, 2003).

3. Methodology

3.1. Sample

For this study, thirty three self-administered questionnaires were collected from accountants working in the Istanbul area. Snowball sampling method was used in which participation to our survey was voluntary and no remuneration was offered. Prior to performing the necessary statistical analysis, frequency distributions were tabulated for each item to ascertain possible response biass. Also, a visiual inpection was performed to identify possible anomalies. All respondents were asked to respond each 21 statements. A five-point response scale was employed (1= "strongly agree" to 5="strongly disagree") for all items indicating their belief about that particular situation. Our analyses included descriptive statistics, correlations and regression analysis. Correlatons were calculated to gain an initial understanding of the relationship between the variables.

3.2. Instruments

The survey instrument consist of 21 statements that describe a specific event that has some kind of ethical choice connotation. Survey is conducted in Turkish among

accountants for clarity, readability and understandability by the Turkish respondents. In addition, respondents were asked to provide demographic data about themselves. The data collected from the survey was analysed by reliability test, frequency analysis, factor analysis and regression analysis ANOVA test.
Our hypothesises will be tested. The hypothesis is stated below:
H0: Age and Gender is a positive determinant of attitude towards accountants ethics.
H1: Age and Gender is not a positive determinant of attitude towards accountants ethics.
In order to test the hypothesises factor analysis was used twice. The first factor analysis was done to the 15 questions in order to gain the factors related to the ethical variables.
The second factor analysis was done to gain the important factors for the demographic issues. The variables for each factor analysis was retained for regression analysis. The article continuous with the two different factor analysis and then the regression analysis is done to test our hypothesises.

4. Analysis and Results

4.1 Reliability Test

When reliability analysis was tested with the 15 questiones included in the questtionnaire the cronbach alpha was found to be 0,718 which means that the data collected is consistently reliable to be analysed.

Reliability Statistics

Cronbach's Alpha	N of Items
,718	15

With our realibility test result, we can pursue with our factor analysis which is a technique used to identify the smallest number of decsribtive terms to explain the maximum amount of common variance in a correlation matrix. (Hill and Petty, 1995) Our purpose is to identify a concise list of constructs representative of perceptions of accountants ethics.

4.2 Frequency Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	7	21,2	21,2	21,2
	26-30	12	36,4	36,4	57,6
	31-35	7	21,2	21,2	78,8
	36-40	3	9,1	9,1	87,9
	41-50	4	12,1	12,1	100
	51-60	0	0	0	
	Total	33	100,0	100,0	

Table 1: Age Distribution

Demographic data were also summarized to provide insights into the nature of the participants.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	17	52,0	52,0	52,0
	Male	16	48,0	48,0	100,0
	Total	33	100,0	100,0	

Table 2: Gender Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid					
	high school	3	9,1	9,1	9,1
	University	30	90,9	90,9	100,0
	Total	33	100,0	100,0	

Table 3: Education Distribution

4.3 Factor Analysis

We use the factor analysis as a technique to identify the smallest number of decsribtive terms to explain the maximum amount of common variance in a correlation matrix. (Hill and Petty, 1995). We retained factors with Eigen values greater than 1.0.

4.3.1 Factor Analysis for Ethical variables (FA#1)

Inspection of scree plot and Eigen values enabled the analysis to reduce the 15 ethics components for accountants into four factors.

Factor 1: Work Environment Factor

Factor one Work Environment Factor has 5 components included such as;

Q1. The **rights** which are provided to me in **my workplace** are enough and **protective**

Q2. I believe that I am working in an **honest workplace**

Q4. I believe that my **work environment** is **transparent**

Q5. At workplace **enough importance** is given to **business ethics**

Q13. I encounter some problems arising from **lack of knowledge** in the place I work.

Q14. **No discrimination** or **no preferential treatment** at my **workplace** takes place

Factor 2: Compelling Factor

Q15. I find it **unethical** to use **underaged labor** (under 18) and **uninsured** personel in my **workplace**

Q16.I **don't** think that it is right in terms of business ethics to **talk behind others' back.**

Q17. I find it **unethical** for co-workers to **blame each other** for things they did **not do**

Factor 3: Personality Factor

Q20. An **effective communication** is **very important** at workplace

Q21. I believe the **golden rule** of having a **good communication** is to **respect others**

Factor 4: Administrative Factor

Q11. **Managers** have an **influence** over the **business ethics** of the **company**

Factor 5: Encouraging Factor

Q12: I think that everybody working in my workplace **does his/her job in a professional way.**

4.3.2 Factor Analysis for Demographic Issues (FA#2)

Inspection of scree plot and Eigen values enabled the analysis to reduce the 5 components (Age, Gender, job, Education and Sector) into two main factors.

Factor 1: Age Factor

First factor includes age.

Factor 2: Gender Factor

Second factor includes gender.

These two factors will be used as the dependent variables and factor analysis #1 factors will be taken as the independent variables in the following regression analysis.

5. Regression Analysis

Analysis of our Hypothesis is seen in the table below.

Dependent Variable	**Independent Variable**	**Significance rate from ANOVA**	**Relationship**
Age (F1 of FA#1)	Factor 1: Work Environment • Protection of rights • Honesty at work • Ethical importance • Transparency	,236 ,069 ,751 ,658 ,179	insignificant relationship strong relationship no relationship no relationship slight relationship
Age (F1 of FA#3)	Factor 3: Personality Factor • Effective communication • Good communication and respect others	,148 ,054	slight relationship strong relationship
Gender (F2 of FA#5)	Factor 3: Encouraging Factor Factors • Professionalism at workplace (Professional way)	,064 ,064	strong relationship strong relationship
Gender (F2 of FA#2)	Factor 2: Compelling Factor • underaged labor and uninsured personel • Workplace gossip • Blame each-other	,075 ,983 ,299	strong relationship no relationship insignificant relationship

Table 4: ANOVA Analysis Results

The ANOVA done for this analysis shows that if the significant value is greater than 0,05 which means that the independent variables (accountants ethics components) do not explain the total variation very well according to the dependent variable (age and gender) the null hypothesis is rejected, meaning that there is no relationship between age and gender and its components.

The ANOVA done for this analysis shows that if the significant value is smaller than 0,05 which means that the independent variables (accountants ethics variables) does explain the total variation very well according to the dependent variable (age and gender). So we accept the null hypothesis, meaning that there is a relationship between age and gender and accountants ethics and its components.

4. Conclusion

This study explored the influence of gender and age towards factors influencing accountants ethical perception in Turkey. Self-administered questionnaire with scale of 1-5 was used to measure attitudes towards accountants perception of ethics.

The reliability test resulted with a cronbach alpha of 0,718 shows that the data is consistantly reliable to analyse especially for factor analysis and regression analysis.

Regarding the frequency distribution of the data 21,2% of the respondents were at the age of 18 through 25, 36,4% through 26 to 30 and 21,2% through 31 to 35 9,1% through 36 to 40 and 12,1% through 41 to 50. Cumulative3 percentage of age shows that almost 78,8% of the respondents were at the age through 18 to 35. 52% of the respondents were female and the rest were male. 91.9% of the respondents were university graduates. Factor analysis was done twice for different reasons. The first factor analysis (FA#1) was tested for the 15 questions included in the questionnaire (21) related to components making accountants perception of ethics. The second factor analysis (FA#2) was done to gain the important factors for the demographic issues.

Each variables from factor analysis were retained for the regression analysis. According to the results of regression analysis age and gender factor has a strong relationship with the compelling factor specifically with 'against underaged and unisured use of labor at workplace"; encouraging factor with "professionalism at workplace" and work environment factor with " protection of rights and transperancy at workplace"; and personality factor with "good communication skill and respect for others". Age and gender factor has a strong relationship with certain components of personality, compelling, encouraging and work environment factors but no relationship with components such as being honest and socially responsible.

Recent findings in the literature pointed us to the fact that, open to conflict, most previous research in the field were dominated by normative approach. (Hosmer, 2000) There is a lack of empirical research on accounting professionals ethics which this paper hopes to fill by generating facts through empirical research to provide useful data to solve some of the conflicts in the literature.

5. Discussion

So our current findings with five components under factor one and their relationship to factor two with two components (age and gender) which is trying to establish positive correlation among them. In our case they are age and gender. Our result confirms with the Turkish accounting tradition that authority and encouragement is the key factor (compelling and encouraging factors) combined with personality factor rather than family or the work environment factor in perception of accountants perception of ethics. Our current findings where age and gender positively correlated with perception of accountants ethics in Turkey. Are relatively coherant with the previous works.

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