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**ADDRESSING ETHICAL MATTERS IN ACCOUNTING
PRACTICE: EVIDENCE FROM UKRAINE**

Bachelor's thesis

Thesis Supervisor: Associated Professor Natalja Gurviš

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I declare I have written the bachelor's thesis independently.

All works and major viewpoints of the other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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ABSTRACT

The title of the thesis is “Addressing ethical matters in accounting practice: evidence from Ukraine”.

After many years of serving to clients, employers and the society the profession of accountant has become as such that represents honesty, objectivity and competence. Every professional accountant who does not fulfill professional standards harms the reputation of the profession. In Ukraine there were no standards on accounting ethics until 2004, when the country adjusted and adopted international principles.

The objective of the thesis is to identify the adherence to ethical behavior and prevalence of ethical issues in accounting practice in Ukraine. The paper considers what is accounting professional ethics, how it is regulated, what is the role of The Code of Ethics for Professional Accountants, what is the current conceptual framework in Ukraine. Further, the thesis presents the findings of the survey conducted among Ukrainian professional accountants, their awareness of ethical principles, behavior in different situations, degree of pressure put on the accountants and perception of professional ethics in Ukraine.

Current thesis significantly contributes to development of accounting professional ethics in Ukraine. Various aspects of professional ethics discussed in this paper should be considered by accounting organizations in Ukraine, as well as business executives and everybody who works in or influences accounting activities. Application of research findings may involve different reforms in education, reviewing of methodology and national standards.

Key words: accounting ethics, the code of ethics, professional conduct, Ukrainian accountants.

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INTRODUCTION

Standards of professional conduct are developed almost by all professions in order to assure social control on the practitioners and the results of their work. The moral norms are of particular relevance in professions that attract public interest, such as auditing, accounting, consultancy, etc. The importance of ethical norms in accounting long time was unseen and profession was deemed to be precisely technical. Reputation of every professional accountant and the profession in general is placed on the intersection of highly technical performance with sound ethical sensibility.

The objective of the thesis is to identify the adherence to ethical behavior and prevalence of ethical issues in accounting practice in Ukraine. The author decided on the set of research questions:

- Q1. How do accountants in Ukraine perceive the level of professional ethics and the application of The Code of Ethics?
- Q2. Do accountants always follow current laws, regulations and accounting standards?
- Q3. Does the pressure occur in accounting activities?
- Q4. Does the disregard of professional ethics result in negative consequences?
- Q5. Is there a need to teach accounting professional ethics in high educational institutions?

Relevance of the topic lies in the growing number of accounting frauds. The preliminary review of scholars' works proved that in most cases it is not the technical mistake, which caused the issue, but neglect of the principles of ethical conduct.

Finding answers to above questions requires a proper preparation, organization of materials and execution of actual survey. To achieve the objective and research questions the author followed the specific set of tasks:

- T1. Justify the definition of business ethics, accounting ethics;
- T2. Investigate the regulatory framework of accounting ethics;
- T3. Investigate the local nature of accounting ethics in Ukraine;
- T4. Prepare the online questionnaire based on conceptual foundation and local expectations;

T5. Conduct the online survey;

T6. Analyze the findings and make conclusions regarding accounting ethics in Ukraine.

The novelty of this study is that for the very first time in Ukraine it gave accountants a chance to express their opinion on accounting ethics. Inspiration and idea for this topic was partially taken from several studies: in 2016 the European Federation of Accountants and Auditors examined the ethical matters in regard to pressure in accounting in their work “Pressure experienced by the professional accountant”; another quite recent study was done in Estonia in 2012, where Alver et al. surveyed and analyzed the opinion of business students and accounting practitioners in the work “Estonian opinion on business and professional ethics”.

The thesis consists of two chapters. The first part brings together the most important terms and definitions in the field of accounting ethics. Further, it discusses the current regulatory standards and the opinions of scholars towards ethics. The chapter finishes by overview of Ukrainian legal, social and business framework of accounting ethics.

Second part of the thesis outlines the methodology of the survey. Hereafter, the survey results are being summarized and analyzed. The chapter closes with overview of survey findings, main outputs and suggestions made by the author.

1. THEORETICAL BACKGROUND OF ACCOUNTING ETHICS

This part provides a theoretical framework within which the concept of accounting ethics can be studied. It includes the definition of the term and a brief overview of the evolution of accounting ethical thoughts, current regulations and standards of professional accounting ethics all over the world. Also, it discusses the Ukrainian professional ethics practices and its development.

1.1. Concept and foundation of business ethics

The development of human race is followed by constant advancing of norms, standards and laws on how to act and behave in different situations. The economy has been also evolving from pastoralism and agriculture to industrial production, which brought a high complexity to it. Starting from the Industrial Revolution (1760) the technology has shown a rapid enhancement in producing complex products and creating new processes, undermining the balance between seller and customer, employee and manager. This has drawn an attention of mass community to business and ethical side of its impact.

The origin of traditional theory of ethics began from the fifth century B.C.E. in ancient Greece. The term “ethics” comes out from the Greek word *ethos*, meaning the character or moral nature, and refers to the field of science that explains any activity as “right” or “wrong” (Roth, 1995).

The literature provides many definitions for business ethics, which at the same time makes it difficult to stick to one meaning. As a proof of that, Lewis (1985) found that business experts and practitioners were struggling to agree on the definition of ethics. Lewis claimed about the absence of uniform theoretical explanation that would be accepted by everyone and internationally recognized. Lewis conducted a survey that he distributed to managers and employees, asking to define business ethics. Further, he connected available definitions of business ethics from articles to the survey findings. Content analysis allowed him to synthesize

the most frequent words, ergo according to Lewis' study the business ethics can be expressed through:

- Rules, standards, codes and principles - those are the moral base that must ensure ethical behavior;
- Morally right behavior - the actions that meet the moral guidelines;
- Truthfulness - actions that corresponds with reality;
- Specific situations - occasions in which individual makes an ethical decision.

In addition to above principles, Lewis presented a list that consists of 12 key phrases to define business ethics, and once again showed that it is very difficult to choose one definition. Lewis' findings are relevant for contemporary works and theory. In fact, it cannot be stated with certainty that the definition of one author is better than another.

Modern practitioner Ferrell (2002) claims that business ethics "comprises principles and standards that guide behavior in the world of business". Ferrell's approach to business ethics is practical and focuses on guidelines or written rules of conduct, leaving aside the reality or situational context that was described by Lewis.

A rather different look is made by Wicks (2010), who resonates about business ethics through prism of three moral dimensions - "the actions", "the agents" and "the ends". The first element represents "the actions" that people do in order to achieve what they want. Every business transaction starts with action and can involve multiple actions. "The agents" are the persons who act in a specific situation. Finally, "the ends" are the achieved outcomes of the action or the consequences it generates to the parties.

Some studies consider business ethics as rather the benefiting value than a trivial set of moral principles. Ferrell (2004) demonstrates that "ethical" companies, as seen by clients, employees, stakeholders and society, gain extra benefits on the market. The advantages consist of, but not limited to, a better loyalty of employees and customers, higher production efficiency and, as a result, growth in financial ratios. Donaldson (2003) has found the direct relation between ethics and profitability. He summarized and analyzed the data of 52 companies. 33 companies out of the sample demonstrated that the ethical corporate programs positively affect the growth in profits; 14 companies experienced no changes and only for five companies the ethical programs resulted in more loses than gains.

Contrary to Ferrell and Donaldson, some papers object to corporate ethics. Holmes (1979) in his work “The corporate social responsibility” objects the business ethics in organizations, not the definition, but rather the practical application of ethics. His reasoning is based on the hypothesis that companies are not persons, thus, they do not have feelings and cannot be morally accountable. At the same time, the person inside the organization cannot hold moral commitments, given his position within the hierarchy. Other authors claim that business ethics is trivial and companies must focus on profits and efficiency. Bowie (2000) developed a thought that ethics can even limit the company’s profitability; he proposed that business ethics and profitability are inversely correlated. In short run Bowie’s hypothesis proves to be valid, because development of strong business ethics requires investments of resources and money in form of corporate programs, bringing additional expenses to business.

As it was discussed above, the business may perceive ethics from two viewpoints:

- as an opportunity or value;
- as a constraint or extra cost.

The author of this paper considers business ethics as an essential component of credible and responsible organization in a modern economy. Having a reputation of ethical company the business can contribute to both its profitability and to the well-being of different stakeholders.

Business ethics segregates into other narrow domains. One direction of it deals with professional ethics of accountants, which is discovered in the next sections.

1.2. Accounting ethics and its establishment

Accounting is a complex activity of identifying, determining, recording and storing the data about companies’ transactions. Accounting activity generates financial statements and various other reports, which serve as a substantial input in decision process of company leadership, shareholders, governments, professional unions and public organizations. It puts a high level of responsibility on the shoulders of professional accountants. Any manipulations, while performing accounting duty, would damage business and public, undermining trust to this profession.

Accounting professional ethics is an applied, behavioral and peculiar part of business ethics. As any other concept, accounting ethics ought to have its foundation. From a contemporary works, can be distinguished the contribution of Stuart and Pederson (2014). Their definition of the core of accounting ethics is (1) the ability to address accounting and ethical problems by making decisions (2) that express sound accounting principles and (3) also demonstrate the accountant's integrity and commitment to public service through ethical behavior. Stuart and Pederson are strong promoters of fostering accountancy competency and even introduced a term "the virtuous accountant", - such characteristic of professional accountant occurs on the intersection of technical proficiency and ethical sensibility. It means, that accountant consolidates technical skills and ethical principles in a best possible way within profession. Developing this thought, "the virtuous accountant" would be the epitome of the highest good to both business and public.

For an ordinary observer, the accounting ethics may seem as strict fidelity to accounting standards, guidelines and laws while following the "golden rule" that states "treat others as you would be treated" (Burton, 2005). Though, the reality happens to be different - accountants face various situations, where many factors involved and choosing the right way becomes tricky. What if accountant is asked by the owner to manipulate the value of assets or to understate the income in order to avoid income tax or what if colleagues ask to classify their personal spending as company expenses - those are just few examples of accounting ethical issues.

Besides defining the moral norms in accounting, the range of the studies focus attention on vocational training of future accountants. For many years, the accounting education was limited to the teaching of technical standards. The ethical matters were slightly discussed when it came to auditing courses; study programs did not have systematic or formalized way to cover ethics (Loeb, 1988). On the contrary to accounting, some subjects, like law or applied medicine have had ethics as component of their curriculum. In, fact Loeb was the very first who started to advocate the introduction of ethics course in accounting. Nowadays the situation is changing and firstly it was reported by (Gray, 1993). He stated that more and more professional accounting programs started to consider ethics as an integral part of education and to include it in the curriculum. Gray proclaimed that accounting must follow an in-depth learning approach for ethical conduct instead of surface education that is frequently detected in accounting studies. The

crucial role at the process of educating professional ethics belongs to high educational institutions. The study programs should stress not only on technical standards, but include professional values, ethical sensibility and reasoning.

Numerous studies deal with effectiveness of particular ethics training in accounting. Academic practitioners and accounting professionals try to decide who must teach accounting ethics to the students - the teacher with most probably only theoretical knowledge or the professional accountant, who can provide situational examples. Those discussions go even further on whether such approach of teaching ethics can be effective at all within the high educational institutions (HEI). Stuart and Pedersen (2014) acknowledged that there are growing number of reform efforts in accounting ethics and for more than decade an increasing attention from both business and HEIs. Professional unions promote trainings of ethics in accounting programs at HEIs, which lead to revision of several dozens of curriculums and discussion of the key elements. Stuart and Pedersen thoughts are similar to Loeb's regarding highly technical way of teaching accounting in the past. They argue that such sophisticated learning process can be one of the reasons why accounting ethics was neglected for a long time. There is definitely a space for more investigation to reach a consensus on the effectiveness of vocational trainings and the ways to deliver it.

Wide range of studies focus on the measurement of ethical behavior, perception of ethical values by accountants and its implementation in different situations. Accountants can often be a subject to pressure, there has been brought up the fact that oppression is high in this profession and 64% of practitioners experience it. Although, 68% out of those who were under pressure, stick to ethical principles and performed the action according to technical and moral standards despite of the party that put the pressure (Lang, et al., 2016). Taking into account the fact, that business ethics is influenced by culture and local factors, a range of studies focus on the specific country. For instance, in USA about 28% of accountants are deemed to be violators, meaning that their ethical behavior was far beyond the acceptable (Loeb, 1971). Estonian example revealed that people are generally aware of professional ethics, but the interest upon it is weak and one way to boost it is the attention of mass media (Alver, et al., 2012).

Accounting ethics is new concept, which evolved in response to growing importance of accounting profession. The next chapter describes current regulation of accounting ethics.

1.3. Accounting Codes of Ethics

Given the fact that the regulation of accounting profession is carried through the professional standards adopted by respected organizations, the review of those documents would facilitate in addressing the objectives of this thesis. Table 1 includes the main regulatory remedies that shape the scene of accounting ethics.

Table 1. Overview of professional regulators in accounting profession

| Component of regulation of accounting profession | Professional regulatory remedies on the international level |
|---|--|
| Values, competences and ethical principles of accounting | <ul style="list-style-type: none"> ● The Code of Ethics for Professional Accountants (IESBA, Europe) ● The Code of Professional Conduct (AICPA, USA) |
| Legal regulation of accounting (organization and methodology) | <ul style="list-style-type: none"> ● International Financial Reporting Standards (IFRS) ● Digest of Financial Stability Board (FSB) ● IFRS Taxonomy Standard ● Regulations of International Public Sector Accounting Standards Board (IPSASB) ● International Principles of Integrated Reporting (IIRC) ● Generally Accepted Accounting Principles (GAAP, mainly USA) ● Standards of International Organization of Securities Commissions (IOSCO) |
| Educational training | <ul style="list-style-type: none"> ● Foundations of educational requirements by International Accounting Education Standards Board (IAESB) ● Guidelines on teaching by International Association for Accounting Education and Research (IAAER) |
| Professional accounting associations | <ul style="list-style-type: none"> ● Membership criteria and process by International Federation of Accountants (IFAC) |

Source: prepared by the author

Table 1 clearly demonstrates what aspect of accounting profession is regulated by the

corresponding standard and the organization that adopted this standard. Moreover, there are two poles of regulation practice - one that is being accepted in Europe and another that is recognized in North America.

The codes of ethics began to be debated by accounting scholars in the end of last century. Different authors suggest that usage of the codes can enormously assist professionals. One way to enhance the professionalism of accountants is the enforcement of the code of conduct, which would require the practitioners to pursue higher standards of behavior than those dictated by law (Backoff and Martin, 1991). Application and wide distribution of the ethical principles under the code can maintain the better relation between profession and civilization; usage of the code can also self-regulate the profession (Cohent and Pant, 1991). Besides, from showing the external users the integrity of the accounting services, the codes can carry out a key role in questioning, defining and understanding the professional values (Meyer, 1987).

In European practice the Code of Ethics for Professional Accountants (The Code) is widely used, which consists of guidelines and ethical principles. It was initially introduced by the International Federation of Accountants (IFAC) and was updated in 2009 by the International Ethics Standards Board for Accountants (IESBA). The Code compiles on professional accountants a set of principles that they should understand and follow. The Code consists of three parts. The first part describes the general application of the principles of The Code for public accountants and accountants in business. In the second part, there is a conceptual ground of how the principles from first part should apply in different situations for professional accountants in public practice and those that work for state bodies. The third part regulates how the principles of ethics must be applied by accountants in business. Generally, principles for accountants in public practice and accountants in business are the same with some modifications. The fundamental principles of accounting ethics are:

- Integrity - professional accountant shall be honest in his/her activity;
- Objectivity - professional accountant should be fair and not allow any prejudice or bias, conflict of interest or influence that might harm objectivity;
- Professional Competence and Due Care - the services must be performed with due care, competence and diligence; it is required to maintain professional knowledge and skills that based on current establishment in legislation and practice;

- ❑ Confidentiality - professional accountant must maintain the confidentiality of information obtained in the course of providing professional services and should not be use or disclose such information without appropriate and designated authority;
- ❑ Professional Behavior - professional accountant must comply with applicable laws and regulations and to refrain from any action, which might discredit the profession (The Code, 2010).

IFAC strongly advises to its members and governmental authorities the implementation of The Code in practice and fostering the ethical conduct in accounting. Nevertheless, IFAC has foreseen that there might be some local adjustments and specifications. The organization proactively offers its assistance when working with The Code.

In US practice another code of accounting ethics can be found, which is called The Code of Professional Conduct, first time adopted in 1973 by American Institute of Certified Public Accountants (AICPA). The IESBA code and the AICPA code intersect significantly on the principles and conceptual frameworks. For instance, four of the principles of the European code - integrity, competence, confidentiality, and objectivity – are stated in the American code as well.

The AICPA Code of Conduct includes two chapters: the first part is dedicated to principles, the second - to rules. This code classifies three electorates to whom accountants must have ethical commitments: the public, clients, and colleagues. Because there can be many various interactions between accountants and those three groups the code examines all the relations and possible obligations. The accountant's commitment to the public is extremely important that it prevails over the obligations to the business or clients (AICPA, 2012.)

Even though there are some differences in the ethics codes foundation in different countries, they follow the same purpose of reassuring high level of professional ethics in accounting. Criticism of one code over another does not bring any sense, because of local specifications, which affect the developments of those codes.

After acknowledging the codes and other regulatory standards in accounting profession, the establishment of international regulations was a breaking point in accounting professional ethics. Adopting the codes allowed systemizing professional standards towards building up the reputation of trusted and ethical profession.

1.4. Ukrainian framework of accounting ethics

Ukrainian business environment is still considered as a transitional. The country regained independence in 1991, since then it strives to flourish the market economy with no big success. The significant constraint for economy is the unstable political shifts, which in the past few decade have shaken Ukraine several times - pulling the string one way or another. Under such uncertainty, the businesses are mainly trying to survive and concentrate on costs and profits, not on the moral values or social responsibility.

On the other side, the country has an enormous economic potential and this is just a matter of time when the breakthrough will happen. In the West and Europe the professional ethics emerged already in the middle of last century. In Ukraine business and public started to talk about it at the beginning of 21st century. It does not mean that there was a chaos and no one followed any moral principles before, but it was the fact that the knowledge was unsystematized, with no regulatory authority, which would take the lead.

Ukraine has fully recognized The Code and adopted it in 2004. It was translated and localized by the Audit Chamber of Ukraine in collaboration with Federation of Professional Accountants and Auditors of Ukraine. This federation is a member of IFA. The Code in Ukrainian has a name *Кодекс Етики Професійних Бухгалтерів*. It is totally the same code issued by IFA, the only modification is that some introductory notes were added. The main goal of The Code is to establish ethical requirements for accountants and auditors practice in order to guarantee the high quality of their work and meet the interests of society and the state. This Code establishes the fundamental principles of ethics and rules of accounting services, which are recognized in the world and thus in Ukraine also.

There are several public, non-governmental organizations operating in Ukraine that aim to favor the development of accounting. Federation of Professional Accountants and Auditors of Ukraine (UFPAA) is a self-regulating non-profit organization established in 1996, was the first organization. Among the purposes of UFPAA are defending the interests of the accounting and auditing professions, enhancing the professionalism of accountants and improving the quality of services. Another example is Ukrainian Association of Certified Accountants and Auditors, it was founded in 2004, the same year when Ukraine adopted The Code. Association provides

assistance when doing examination for Certified International Professional Accountant (CIPA) program. The activity of some organizations is limited to one specific sector of economy. For instance, Federation of Auditors, Accountants and Financiers of Agriculture of Ukraine seeks to promote the development of new and improvement of existing practice in agricultural production.

The level of domestic academical and professional education in accounting is weak. Ukraine should not reinvent the wheel and use international approaches on the way to reforming accounting education. Prominent role of determining and qualifying accounting programs lies on the domestic professional organizations. In terms of constant development and improvement of education standards for accounting and different views of various organizations, achieving convergence at the national level can be completely feasible. (Metelytsia, 2010).

The labor market regarding professional accountants and auditors in Ukraine shows contradictory trends: for example, there are significant number of accounting graduates registered as unemployed. Although, the demand for high professional accountants is increasing. The market expectations towards the experts is to be high skilled and able to adapt in today's global society and be ready for decisions and actions with a high level of social responsibility. (Savchenko, 2011). Ukrainian business graduates are more likely to engage in unethical work situations in comparison to their U.S. fellows. There is weak correlation to religiousness or alienation of Ukrainians, such predisposition to unethical actions may lie onto different cultural norms or it can come from rather different economic environments when comparing the countries (Kennedy, 1996).

Despite the fact that The Code was adopted in Ukraine, the problems of professional ethics remain unresolved, due to a number of reasons:

- objective: poor business culture, high level of shadow economy, unstable legal framework;
- subjective: insufficient research methodology, weak professional ethics education and training. (Savchenko, 2011)

It is hard not to agree with the last subjective reason, as in preparation to this thesis, the author was not able to find any empirical survey, methodology or approach on the accounting ethics in Ukraine. Most of the national studies have descriptive manner, stating the problems and assumed ways to overcome them, but do not follow up on the suggestion.

Savchenko's (2011) views intersect with Metelytsia (2010), as he outlines the importance of proper education. Thus, it is important to include to the Master Qualification curriculum for accountants a course of "Professional and applied ethics". It should include issues related to professional ethics under the course objectives. Main goal of the course should be to prepare future practitioners for solving ethical problems in professional life, cultivating ideas and values of professional ethics of accountant or auditor.

The Ukrainian experience of socially responsible accounting and social reporting is figuratively absent, but globalization and integration processes lead to increasing need for its implementation. In the practice of Ukrainian economy, social reporting is an emerging phenomenon. The first corporate social report was compiled by credit union called "First Credit Society" in 2006. The publication of social reports makes to think about the role that business plays in social and economic life. Prospects for future research is to determine the meaning, content of the concept of "social accounting" and prove its relevance to shape a separate type of accounting (Rudenko, 2013).

After identifying the scope and application of professional ethics, the author concluded the following:

- there is a progressive interest towards business ethics from the public, that eventually resulted in creating the international standards;
- companies which follow the ethical conduct win in long run, as ethics adds an additional value to their position on the market;
- formation of ethical culture for future accountants should start from professional education and trainings;
- adherence to accounting ethics would ensure a high quality of business transactions;
- accounting ethics in Ukraine is considered to be in its infancy.

Consequently, one of the main features of a professional accountant must be an understanding of its responsibility to society. The purpose of professional accountant is to carry out the work in accordance with the highest standards of professionalism to ensure the best results and to satisfy the public interest.

2. METHODOLOGY AND SURVEY FINDINGS

This chapter starts with the preparation and description of the survey. In the methodology part, the author presents the sample design and reasons for choosing it, the questionnaire that was given to the respondents and the channels used to conduct the survey. It is followed by the profound analysis of the survey results, conclusions and implications.

2.1. Survey method and data collection

Target audience for this study were professional accountants in private and public organizations. Students, teachers and scholars from accounting field were excluded. Based on the literature overview it is assumed that those groups are simply lacking awareness of ethical expertise, since professional ethics was neglected in Ukraine for a long time and not included into study curriculums. Thus, they could not provide the meaningful feedback. Surveying the non-practitioners could cause the distortion of results and conclusions. Adherence to ethical norms and prevalence of ethical issues can only be examined through practitioners, - people who deal with accounting every day and who are expected to face various ethical issues.

Auditors were also not included into the sample. The professions of accountant and auditor intersect; one produces the reports, another checks the quality and compliance. It is true that those professions are tightly connected, but the auditors examine the post facto work of accountants. Any professional accountant can face various ethical dilemmas in the process of recording entries and preparing reports, while the auditor has not even entered the scene.

Table 2 portrays the main characteristics of the accountant population that were considered or not when designing the sample for a survey.

From the audience demographics perspective, there were no preferences given to sex, location, and sector of economy as shown in Table 2. Besides occupation, that was strictly limited to professional accountants only, the accent was made on the age, job position, level of education, working experience, and type of entity the respondents were employed.

Table 2. Characteristics of survey sample composition

| Sample feature | Consideration when designing the sample | | Justification |
|-------------------------|---|----|---|
| | Yes | No | |
| Sex | | N | No preferences towards sex of participants |
| Age | Y | | Segregation was made based on the age |
| Completed education | Y | | The highest completed degree |
| Occupation | Y | | Professional accountants in business and public entities only |
| Job position | Y | | Chief accountants, accountants, accountant assistants |
| Type of business entity | Y | | Private, public or state |
| Sector of economy | | N | No preferences, accountant can represent any field |
| Work experience | Y | | Segregation was made based on the work experience |
| Region of Ukraine | | N | No preference towards location |

Source: prepared by the author

To allow accountants freely and without any prejudice express their opinion, the survey was carried out on anonymous basis.

The survey was conducted in the form of online questionnaire. The questionnaire consisted of 18 different questions (see Appendix 1). The questions were the same for all participants. The original language for questionnaire was Ukrainian. In order to present the questions and make it possible to collect data, an online survey engine Google Forms was used.

The questions were divided into sections that allowed reassuring intuitive delivery and better user experience for the respondents. Main attributes for such clustering were: background of participants, attitude towards professional ethics, behavior of accountants in different situations; pressure at work.

Type of questions used:

- 1) Single choice question – respondent was asked to choose one option from a list. There were 14 questions of this kind.

- 2) Wall-type multiple choice question – respondent was asked to select one option from each column. There were three questions of such nature.
- 3) Linear scale question – respondent must choose a rate on a scale. There was one question of this kind.

In order to reassure that the questionnaire will be understandable to the audience, the author did a pilot run. For testing, four persons were selected: accountant assistant, chief accountant in public organization, two accountants in business.

Upon completion of testing, minor changes were made to the wording of some questions. Additionally, the questionnaire structure was reorganized for the purposes of integrity, ease of navigation and simplicity.

The primary channels for survey distribution were social networks, in particular the professional accountant groups and communities there. Such groups post daily news in accounting, legislation updates, and other relevant information in the field. Due to their nature, there are many accounting practitioners following the feed.

In Ukraine, there are most commonly used two social networks – Facebook and Vkontakte. The author contacted the managers of the professional communities and agreed upon posting about the ongoing survey. Below are the overview of groups where the author posted an announcement regarding survey:

- 1) [Бухгалтер №1](#) (Accountant #1), with more than 7500 members;
- 2) [Бухгалтер и Право](#) (Accountant and Law), with 6000 members
- 3) [Factor - Все для Бухгалтерского Учета](#) (Factor – everything for accounting), with 25000 likes

The survey was live for 25 days, from 18th of February 2017 to 15th of March 2017.

2.2. Analysis of the results

The analysis of the results was segregated into smaller blocks, which investigate a particular field or problem of professional accounting ethics. This allows external reader to navigate faster and more efficient within survey findings.

2.2.1. Demographics analysis

In order to proceed with analysis of key survey findings, there must be an understanding of respondents' profiles. Table 3 contains the overview of demographics profile of the respondents.

Table 3. Distribution of respondents' profiles

| Characteristic | No of responses | % of total |
|------------------------------|------------------------|-------------------|
| Position: | | |
| Accountant | 102 | 32% |
| Chief Accountant | 199 | 63% |
| Other | 14 | 4% |
| Total | 315 | 100% |
| Education: | | |
| Bachelor's degree | 51 | 16% |
| Master's degree | 249 | 79% |
| PhD | 8 | 3% |
| Other | 7 | 2% |
| Total | 315 | 100% |
| Age: | | |
| ≤25 | 26 | 8% |
| 26-35 | 105 | 33% |
| 36-45 | 118 | 37% |
| ≥46 | 66 | 21% |
| Total | 315 | 100% |
| Legal form of entity: | | |
| Private sector | 203 | 64% |
| Public/Gov. organization | 103 | 33% |
| Self-employment | 9 | 3% |
| Total | 315 | 100% |
| Experience: | | |
| <1 year | 7 | 2% |
| 1 to 5 years | 46 | 15% |
| 6 to 10 years | 65 | 21% |
| >10 years | 197 | 63% |
| Total | 315 | 100% |

Source: prepared by the author

Table 3 contains information about different demographics' characteristics. The target group for the research was accounting practitioners. Out of 315 responses, 102 or 32% were submitted by accountants and 199 or 63% were submitted by chief accountants. Together accountant and chief accountant responses reached 95%, that is very close to an absolute majority of the survey volume. The rest 14 answers amounted only 4% of total volume. Other professions such as financiers, financial officers, executive officers submitted those answers. Since these professions are connected to the professional life of accountants, their answers were taken into consideration and classified as "Other".

As it can be seen from Table 3, the most respondents have graduate degrees. Thus, 79% have Master's diploma and 3% have PhD degree in related field, resulting in 82% of practitioners that have completed higher education. Around 16% of answers were for Bachelor's degree and 2% for other professional or technical education, which cannot be classified to mentioned levels.

Analysis of responses by age, shows that the largest group was people from 36 to 45 year old, that hit 118 answers or 37%. The second big group was from 25 to 35 year old, which reached 33% of survey volume. The number of young people, which are ≤ 25 was quite low and totaled of 26 answers or 8%. One reason for this can be that by the age of 25 many young people only finish the Master's degree and have not started the career yet.

Number of responses from business side amounted of 203 or 64% of total volume. Relevant sample for analysis was received from public and governmental sector, its total share was 33% or 103 absolute answers. 3% of responses came from self-employed accountants.

The last characteristic of respondents' demographics was the working experience. The allocation of answers showed that 197 or 63% out of 315 sample were submitted by the participants with more than 10 years of accounting experience. 21% of respondents had from 6 to 10 years of working experience. 15% of respondents had from 2 to 5 years of working experience; the amount of those, who worked less than a year in accounting was 2%.

The facts and analysis presented above allow concluding the following:

- the respondents were practitioners in accounting, with 95% of answers coming directly from accounting profession;
- level of education of respondents was very high; more than 83% have completed graduate degrees;

- sufficient amount of answers were received from both private (64%) and public (33%) organizations;
- majority of respondents acquired huge experience in the field; 2/3 of all responses are from practitioners with 10+ years of experience.

Analysis of respondents’ demographics proved that the results base has sufficient data to fulfill the survey expectations. Chapter 2.2.2. investigates the adherence of accountants to current legislation.

2.2.2. Adherence to current accounting legislation

In order to quantify the adherence to professional standards and accounting legislation, the respondents were asked a set of single choice questions.

Table 4 represents the data on the question “Do you always follow current standards, laws and regulations in your professional activity?”. Contemplating the general allocation of answers, the insight is that 83% of practitioners do always follow the current legislation and standards, whereas 17% of practitioners cannot say that they always follow the current establishment.

Table 4. Distribution of answers to the question "Do you always follow current standards, laws and regulations in your professional activity?"

| Characteristic | Yes | | No | | Total |
|--------------------------|------------|----------------|-----------|----------------|------------|
| | Δ | % row of total | Δ | % of row total | |
| Position: | | | | | |
| Accountant | 88 | 86% | 14 | 14% | 102 |
| Chief Accountant | 161 | 81% | 38 | 19% | 199 |
| Other | 12 | 86% | 2 | 14% | 14 |
| Total | 261 | 83% | 54 | 17% | 315 |
| Type of entity: | | | | | |
| Private sector | 161 | 79% | 42 | 21% | 203 |
| Public/Gov. organization | 93 | 90% | 10 | 10% | 103 |
| Self-employment | 7 | 78% | 2 | 22% | 9 |
| Total | 261 | 83% | 54 | 17% | 315 |

Source: prepared by the author

Table 4 introduces further segregation of answers by position and type of business entity. When viewing the stickiness to legislation by position, the adherence of accountants are slightly higher than adherence of chief accountants – 86% versus 81%. Thus, chief accountants may more likely breach the legislation and act against the standards. In public sector, the adherence is proven to be higher than in private entities, demonstrating that 90% of respondents follow the rules in public organizations. In business and self-employment the adherence was correspondently 79% and 78%, which is 10% less comparing to public organizations. Noncompliance with current standards of accounting reported by 17% of respondents in total. This ratio is higher in business, which hit 21% and in self-employment - 22%. The lowest non-compliance is in public sector with 10% only.

Results for question “Have you been asked to act contrary to the accounting legislation?” are summarized in Table 5.

Table 5. Distribution of answers to the question "Have you been asked to act contrary to the accounting laws, regulations or standards?"

| Characteristic | Yes | | No | | Total |
|--------------------------|------------|----------------|-----------|----------------|------------|
| | Δ | % row of total | Δ | % of row total | |
| Position: | | | | | |
| Accountant | 58 | 57% | 44 | 43% | 102 |
| Chief Accountant | 154 | 77% | 45 | 23% | 199 |
| Other | 12 | 86% | 2 | 14% | 14 |
| Total | 224 | 71% | 91 | 29% | 315 |
| Type of entity: | | | | | |
| Private sector | 154 | 76% | 49 | 24% | 203 |
| Public/Gov. organization | 62 | 60% | 41 | 40% | 103 |
| Self-employment | 8 | 89% | 1 | 11% | 9 |
| Total | 224 | 71% | 91 | 29% | 315 |

Source: prepared by the author

In total 224 respondents were asked to act contrary to the legislation, which is 71% of sample (Table 5). The indicator is higher for chief accountants – 77%, and for other group – 86%. The rest 91 respondents or 29% were not asked to act against current legal establishment.

Analysis of answers by entity type shows that practitioners are asked to act against legislation much more when doing self-employment (89%) or belong to private sector (76%) than when be at the public organizations (60%).

Together with previous question, it was asked whether the respondents observed in their career the action against accounting legislation. Table 6 brings the findings on this.

Table 6. Distribution of answers to the question "Have you observed in your career the action contrary to the accounting laws, regulations or standards?"

| Characteristic | Yes | | No | | Total |
|--------------------------|------------|----------------|-----------|----------------|------------|
| | Δ | % row of total | Δ | % of row total | |
| Position: | | | | | |
| Accountant | 73 | 72% | 29 | 28% | 102 |
| Chief Accountant | 164 | 82% | 35 | 18% | 199 |
| Other | 11 | 79% | 3 | 21% | 14 |
| Total | 248 | 79% | 67 | 21% | 315 |
| Type of entity: | | | | | |
| Private sector | 167 | 82% | 36 | 18% | 203 |
| Public/Gov. organization | 73 | 71% | 30 | 29% | 103 |
| Self-employment | 8 | 89% | 1 | 11% | 9 |
| Total | 248 | 79% | 67 | 21% | 315 |

Source: prepared by the author

Examination of Table 6 finds that 248 participants or 79% observed an action that was carried out against the accounting legislation. Similar tendency prevails here as in previous question: chief accountants have the higher percentage of those that noticed noncompliance action – 82%, which is 10% higher in contrary to accountants – 72%. In business and self-employment the number of those who observed non-compliance actions was also higher comparing to public sector.

Another question was asked to assess the practitioners’ perspective on receiving gifts in their professional activity. The findings are presented in Figure 1. Figure 1 indicates that 34% of accountants and 31% of chief accountants found receiving gifts as absolutely unacceptable. At the same time, 25% of both feel like receiving gifts is totally acceptable.

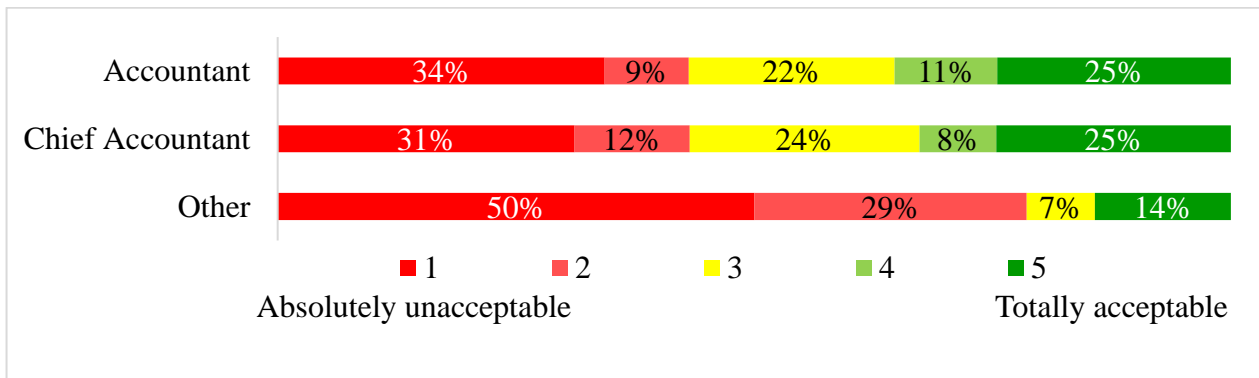


Figure 1. Attitude towards receiving gifts by position

Source: prepared by the author

Table 7 summarizes the average scores by position and entity type. The average likeliness of accepting gifts by accountants is 2.82; by chief accountants 2.83. It can lead to a conclusion that on average accounting practitioners would favor receiving gifts at their work. Other respondents averaged of 2.0, meaning that they less likely to take the gifts.

Table 7. Average scores on the attitude towards receiving gifts (1 – absolutely unacceptable, 5 – totally acceptable)

| Characteristic | Average score |
|--------------------------|---------------|
| Position: | |
| Accountant | 2.82 |
| Chief Accountant | 2.83 |
| Other | 2.00 |
| Total average | 2.79 |
| Type of entity: | |
| Private sector | 3.07 |
| Public/Gov. organization | 2.16 |
| Self-employment | 3.78 |
| Total average | 2.79 |

Source: prepared by the author

Breakdown of answers by entity type revealed that the most willingness to receiving gifts have practitioners under self-employment, who scored on average 3.78 (see Table 7). Relatively high likeliness of accepting gifts was among practitioners in business sector – 3.07. The lowest average likeliness of receiving gifts was reported by respondents in public organizations – 2.16. The total average score by all respondents was 2.79, showing that practitioners can liberate receiving gifts at their work.

Having examined the adherence to current legal accounting establishment in Ukraine, the set of considerations can be made:

- 83% of respondents always follow current legislation;
- adherence in public organizations is much higher, reaching 90%; in business it is lower and fluctuates around the level of 80%;
- 71% of accountants are often asked to act contrary to the legislation;
- the number of those that observed the action contrary to the legislation was 79%;
- 1/3 of practitioners thinks that receiving gifts is unacceptable in their professional activity; on the other side 1/3 of practitioners found it totally acceptable.
- in public organizations the likeliness of accepting gifts is lower than in private ones.

The next chapter 2.2.3. shows the level of how accountants acknowledge and value the main principles of The Code of Ethics for Professional Accountants.

2.2.3. Perception of The Code of Ethics for Professional Accountants

The Code of Ethics for Professional Accountants, which was described in the first chapter of this thesis, is legally recognized in Ukraine. One of the research questions is to investigate how accountants perceive the principles of The Code. To find that out, firstly, the respondents were asked to assess the set of statements regarding the connection of professional ethics and The Code. The results are structured in Figure 2.

Each statement in Figure 2 must be assessed on the 5-point scale, where 1 – absolutely disagree, and 5 – totally agree. The first statement brought up the importance of professional ethics. In total 65% of the respondents found professional ethics as important. 13% of

accountants rated the first statement as “4”, and 15% rated it as “3”. Those answers mean that about 28% of participants consider the importance of professional ethics as mediocre. Participants that did not agree with this statement, ergo found professional ethics as unimportant, were 8% of total sample.

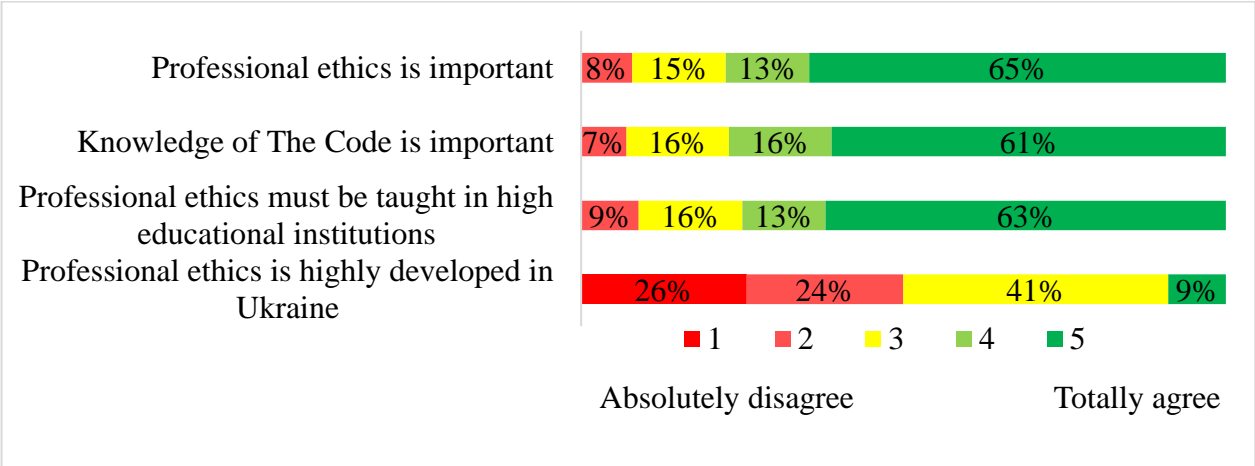


Figure 2. Quantitative perception of The Code and professional ethics framework

Source: prepared by the author

The second statement as presented in Figure 2 was “Importance of knowledge of The Code”. The distribution of answers for this statement is very similar to the previous one. 61% of practitioners voted for the knowledge of The Code to be important. There were both 16% of those who rated this statement as “4” and as “3”, resulting in 32% of accountants that perceive The Code as of mediocre importance. 7% of accountants did not see the importance in The Code and disagreed with the affirmation.

Identical allocation of respondents is observed for the third statement “Professional ethics must be taught in high educational institutions”. 63% of participants agree with this affirmation. 29% of participants expressed their choice as “4” or “3”. The author assumes that those participants consider the teaching of professional ethics as free choice subject in the high educational institutions. 9% of practitioners see no need in applied teaching of professional ethics in higher education.

The last affirmation that is presented in Figure 2 is “Professional ethics is highly developed in Ukraine”. 26% of responses totally disagree with it. Additionally, 24% rated this affirmation as “2”. The author concluded that in total 50% of accountants consider professional ethics in Ukraine as being poorly developed or not developed at all. Significant number of participants rated this statement as “3”, which was 41% of total answers. It can be concluded that those participants find the development of professional ethics in Ukraine on a medium level. 7% of practitioners provided the score of “4” and only 2% voted for “5” – signaling that in total 9% consider professional ethics to be highly developed in Ukraine.

Further analysis of the results discussed above is presented in Table 8, which shows the average answers by position for each statement.

Table 8. Average scores on perception of The Code and professional ethics framework (1 – absolutely disagree, 5 – totally agree)

| Statement | Accountant | Chief Accountant | Other | Average total |
|---|-------------------|-------------------------|--------------|----------------------|
| Professional ethics is important | 4.35 | 4.32 | 4.57 | 4.34 |
| Knowledge of The Code is important | 4.23 | 4.31 | 4.36 | 4.28 |
| Professional ethics must be taught in high educational institutions | 4.25 | 4.28 | 4.36 | 4.27 |
| Professional ethics is highly developed in Ukraine | 2.38 | 2.33 | 2.36 | 2.35 |

Source: prepared by the author

According to Table 8, the respondents perceive professional ethics of high importance, with the total average score of 4.34. Worth attention is the fact, that “other” group considers professional ethics of bigger importance (average score 4.57), than accountants (4.35) or chief accountants (4.32). This indicates that importance of professional ethics is not only limited to accountant profession. For the rest of professions, such as tax inspectors, financiers, etc. the ethics plays significant role. The importance of knowledge of The Code averaged 4.28. Accountants showed an average score of 4.23, while for chief accountants it was higher and reached 4.31. Based on the results, the knowledge of the code is deemed to be important by most participants. Average score regarding the statement that professional ethics must be taught in

high educational institutions was 4.27, which shows that high number of respondents support such initiative. As for the last affirmation, accountants rated the development of professional ethics in Ukraine as 2.38, chief accountants averaged 2.33. The average score for all participants was 2.35, leading to the insight that there is a big room for improvement and development of professional ethics in Ukraine.

The core of professional codes of conduct is in its principles. Table 9 demonstrates the perception of Ukrainian accountants towards the principles of The Code.

Table 9. Total sample evaluation of principles of The Code (1 – completely unimportant, 5 – very important)

| Principle | Scores | | | | |
|--------------------------------------|--------|-----|----|-----|-----|
| | 1 | 2 | 3 | 4 | 5 |
| Integrity | 1% | 11% | 5% | 16% | 67% |
| Objectivity | 1% | 11% | 1% | 7% | 80% |
| Professional Competence and Due Care | 1% | 11% | 1% | 10% | 77% |
| Confidentiality | 1% | 10% | 3% | 10% | 76% |
| Professional Behavior | 1% | 11% | 3% | 12% | 72% |

Source: prepared by the author

Table 9 contains the allocation of all answers for each principles of the code of ethics. Integrity was assessed as very important by 67% of respondents. 16% rated integrity as “4”, demonstrating still high importance of it. 5% found this principle of medium importance and around 12% of participants considered integrity as rather unimportant in their activity. Objectivity was the leader among principles, which received the highest share of answers that rated it as very important (80%). Sample of respondents who consider objectivity as of low relevance reached 12%. Professional competence and due care was valued by 77% of practitioners as huge importance, at the same 10% found it a bit less important and 12% stood for low value of this principle. The forth principle of The Code is confidentiality. The results of the survey demonstrated that for 76% of participants confidentiality is very important to follow, for 10% it is of less importance, for 3% it is mediocre and for 11% confidentiality can be neglected.

High sample of responses (72%) rated the principle of professional behavior as very relevant. The portion of those who did not agree with importance of professional behavior reached 12%.

Further, the principles of the code were compared by average scores. Table 10 presents the average rating of principles.

Table 10. Total average scores on the principles of The Code (1 – completely unimportant, 5 – very important)

| Principle | Average score |
|--------------------------------------|----------------------|
| Integrity | 4.36 |
| Objectivity | 4.55 |
| Professional Competence and Due Care | 4.52 |
| Confidentiality | 4.48 |
| Professional Behavior | 4.43 |

Source: prepared by the author

Table 10 clearly indicates that each principle of professional ethics is considered by respondents of equal high value. Nevertheless, there is a slight deviation between the average scores. For instance, the highest value and, thus, the most important for accountants was the principle of objectivity. The lowest rank was given to integrity. In general, the deviations between principles of ethics are minor and each principles was ranked very high on the 5-point scale, meaning that practitioners find them as very important in professional activity.

Analyzed and discussed above survey results allow to make the following conclusions:

- 2/3 of participants (210 practitioners) agree with the high importance of professional ethics and The Code;
- 63% of respondents strongly support teaching professional ethics in high educational institutions;
- approximately half of the respondents (158 practitioners) agree that professional ethics in Ukraine is on the low level and only 9% found its development on a decent level;
- principles of The Code were of an equal high importance to respondents, averaging 4.5 which is interpreted as highly important;

- the principle that scored the most was Objectivity (4.55) and the least was Integrity (4.36).

Findings in this chapter demonstrated the high importance of ethical principles in accounting. Preliminary analysis of the results showed that there are no big differences in scores between position of respondents or entity type. All practitioners acknowledge the principles and agree on its significance. Chapter 2.2.4. investigates the occurrence of pressure in professional life.

2.2.4. Evidence of occurrence of pressure on accountants

The current section of the survey investigates the occurrences of pressure on accounting practitioners, incidents of threats and the parties that exerted the pressure. All survey participants (315) were asked to assess the predominance of pressure in general in their everyday professional activities (Figure 3).

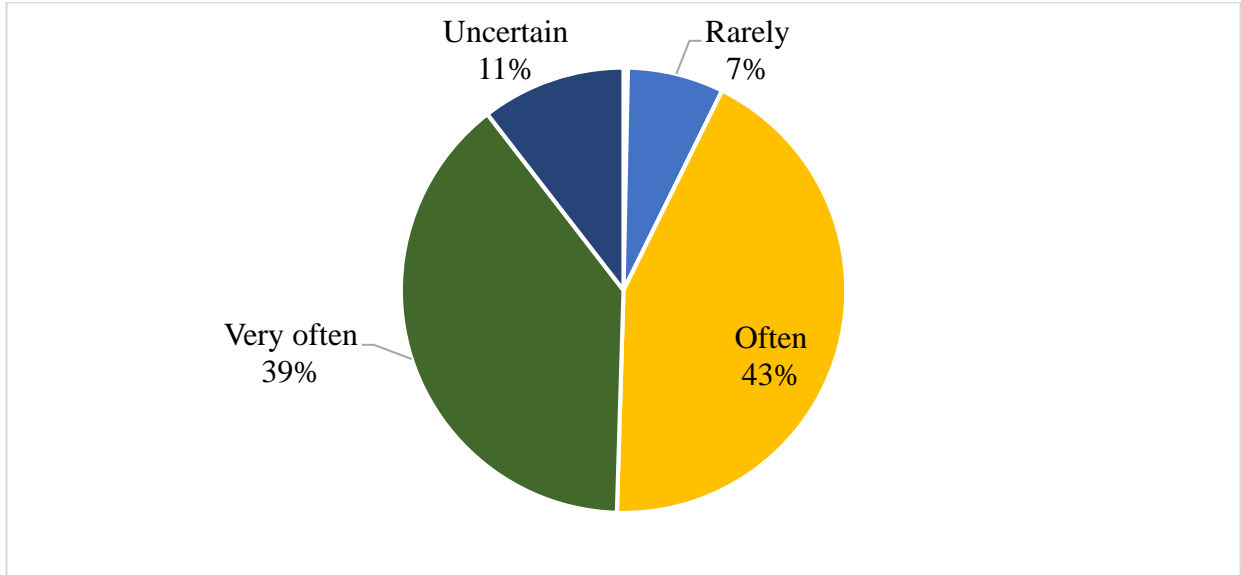


Figure 3. Responses to the question “How often do you think pressure is exerted on the accountants?”

Source: prepared by the author

Figure 3 dictates that 39% of survey sample or 123 practitioners think that accountants can be very often under pressure. 136 of respondents or 43% assumes that accountants are often under pressure. The number of those who see pressure on rare incidents in work life totaled 22 or 7%. The rest 33 responses or 11% of total base were uncertain about frequency of pressure upon accountants.

As a follow-up to previous question, accountants were asked whether they personally were put under the pressure. Table 11 summarizes the findings.

Table 11. Distribution of answers to the question “Have you encountered pressure on your work to act contrary to the professional ethics or to the accounting legislation?”

| Position | Yes | | No | | Total |
|------------------|------------|-------------------|-----------|----------------|------------|
| | Δ | % of row of total | Δ | % of row total | |
| Accountant | 57 | 56% | 45 | 44% | 102 |
| Chief Accountant | 151 | 76% | 48 | 24% | 199 |
| Other | 11 | 79% | 3 | 21% | 14 |
| Total | 219 | 70% | 96 | 30% | 315 |

Source: prepared by the author

According to Table 11, practitioners are often subjected to pressure. The sample of those who experienced pressure reached 70%, or 219 answers in absolute measure. 96 respondents or 30% had not experienced any pressure by the time when the survey was conducted. When analyzing answers by position, number of accountants that experienced pressure upon them was the lowest in comparison to other groups (56% experienced pressure), while most of chief accountants reported pressure upon them (76% experienced pressure). Such differences can arise from the level of responsibility to the stakeholders. Chief accountants generally have higher responsibility and thus get direct influence from management. Those participants that answered “yes” to this question followed few additional questions to investigate further on the nature of pressure. Figure 4 presents the sources of pressure.

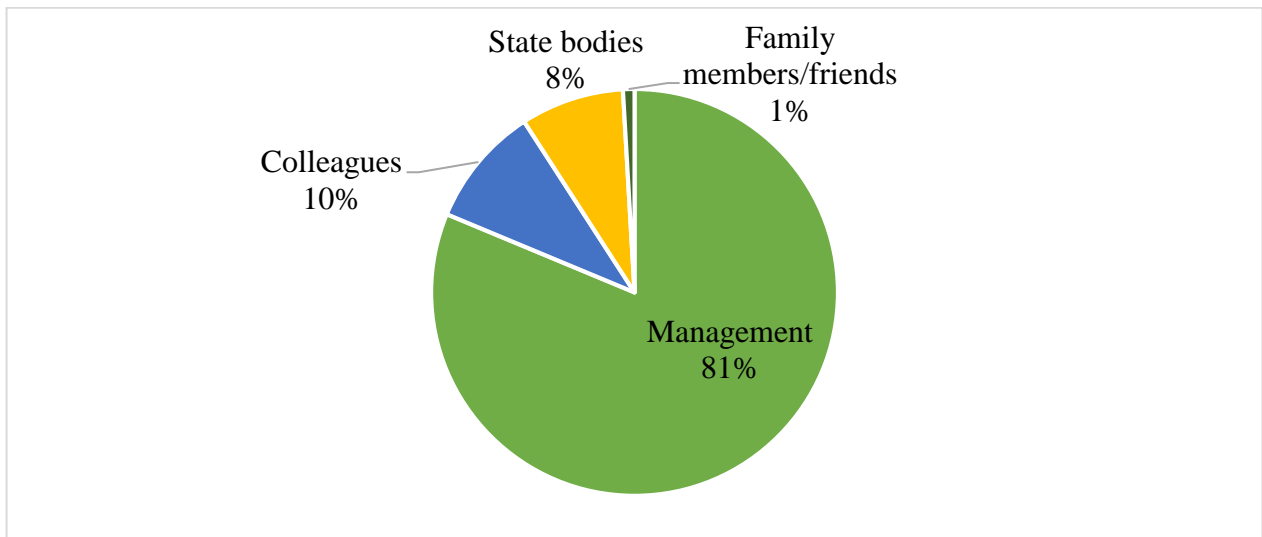


Figure 4. Where does pressure come from?

Source: prepared by the author

Based on the data in Figure 4, the conclusion can be made that in most cases the management put a pressure on accounting practitioners. Management was stated by 178 respondents, that totaled of 81% of sample. Colleagues and working partners were considered as the second most popular source of pressure, receiving 21 responses or 10% of total. State bodies were the third source of pressure with the total number of 18 responses or 8%. Friends and family members are rare source of pressure and were reported by 2 respondents (1%) only.

Since incidents of pressure were reported by significant amount of participants, Figure 5 provides a deeper analysis of pressure sourcing divided by position. The data in Figure 5 consists of 219 answers from the respondents, who indicated themselves as being put under pressure. The dominating party that exerts pressure is management, reported by 84% or 48 accountants. Chief accountants have similar allocation of answers towards claiming management with 81% or 123 responses. Quite frequently, the colleagues are considered to create pressure. For accountants, colleagues as source of pressure totaled in 11% of instances, for chief accountants – 8%, and for other professions – 27%.

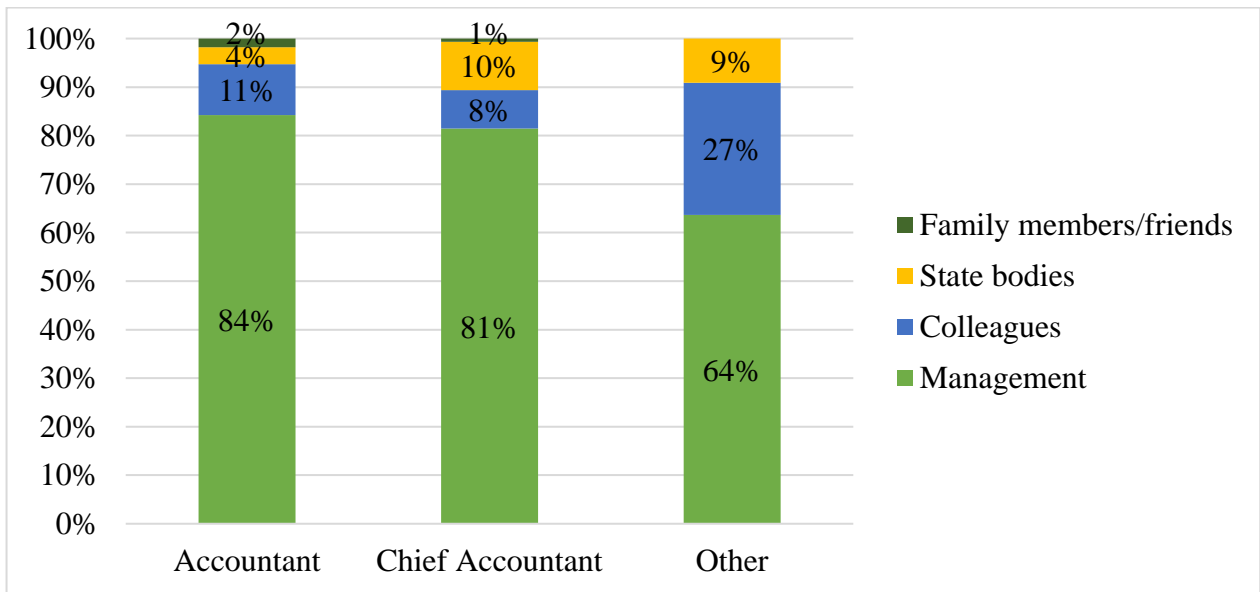


Figure 5. Distribution of answers on the sources of pressure by position

Source: prepared by the author

Another party that initiates pressure is state authorities; those include tax inspections, state fiscal service and others (Figure 5). In 4% of cases, the state bodies were source of pressure for accountants, for chief accountants this indicator was 10% and for other professions was 9%. Very low amount of participants experienced pressure from friends or family numbers, only 2% of accountants and 1% of chief accountants.

The party that exerts pressure can use different triggers to achieve the desired results. One way is to offer something valuable, like a gift or any other reward. Another way, is more severe and might include threatening of dismissal, decreasing of salary or lowering in position, etc. After examining the sources of pressure, participants were asked to indicate whether the pressure was associated with any reward or threat. The results are systemized in Figure 6.

Studying Figure 6, it reveals that 81% or 178 respondents were not offered any reward when there was a pressure upon them. The rest 19% or 41 participants on the contrary were offered a reward for doing a particular activity desired by another party. The second set of data in Figure 6 shows the answers for question “Have you experienced threat associated with the pressure?”. The number of participants who reported threatening was 114 or 52% of total sample. As for the rest 105 responses or 48% they did not report any threatening upon them.

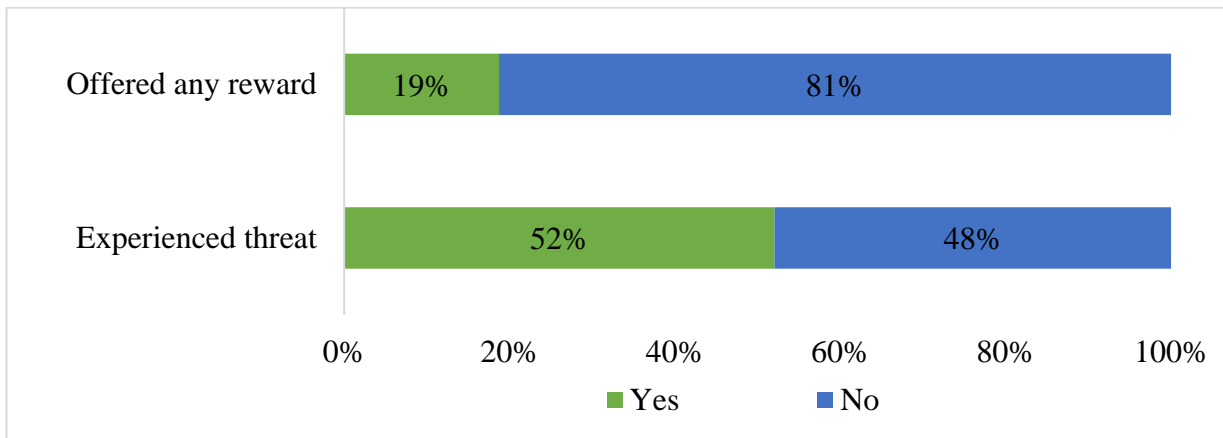


Figure 6. Attributes of pressure

Source: prepared by the author

Acknowledging Figure 6, it can be said that many accountants were threatened, while being put under pressure. It leaves an alarming message to company's management to prevent such incidents.

Key points after analyzing of incidents of pressure upon accountants are as follows:

- accountants are very often put under pressure (39%) or quite often (43%);
- 70% of respondents (219 answers) found themselves under pressure;
- the pressure primarily comes from three sources: management (81%), colleagues (10%) and state bodies (8%);
- the parties, that initiate pressure, offer rewards/benefits for a desired actions in 19% of incidents;
- practitioners can be threatened (dismissal, salary reduction, etc) quite often, with 52% of respondents reporting such incidents.

Unethical professional behavior can harm different personal and organizational aspects. Chapter 2.2.5. reveals the consequences of ethical misconduct.

2.2.5. Cases of ethical misconduct

Neglecting of principles of ethical conduct can transform into various consequences for involved parties. The issues can result in different damages, such as undermining of reputation, creating tension between colleagues and management, internal and external conflicts. The set of assumed ethical situations were prepared and all survey participants were asked to choose whether they had faced such events or not. Figure 7 shows the allocation of answers for the particular statement.

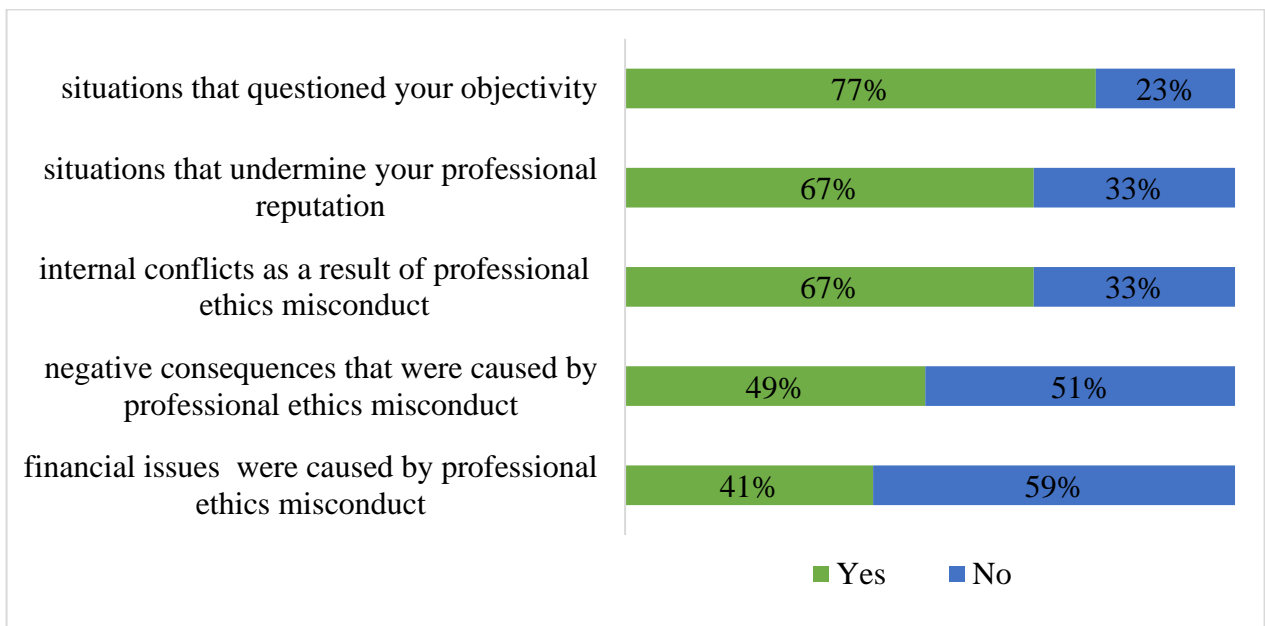


Figure 7. Answers to the question “Have you faced listed cases?”

Source: prepared by the author

Data in Figure 7 brings important messages. Practitioners have found themselves very often in the situations where their objectivity was questioned (77% or 242 respondents). The rest 72 practitioners (23%) have never been questioned by their objectivity in working activity. The analysis shows that there are many occurrences of undermining accountants’ professional reputation, providing the fact of 67% participants (211 answers) had faced such situations. For 33% there were no incidents of damaging their professional reputation. Internal conflicts, because of non-following of accounting ethics, were reported by 67% of participants. There is high probability of negative consequences caused by professional ethics misconduct, since 49% or 155

respondents specified it. At the same time, the rest 51% or 160 respondents did not face any negative issues caused by improper professional behavior. However, it was indicated by 41% of participants that ethical misconduct had caused financial issues.

Since the accountants might face different ethical situations, they should have a possibility to consult and discuss their concerns with respected organization, which not only can assess the event, but provide the practitioner with meaningful feedback and recommendations how to act under different circumstances.

According to Table 12, the vast majority of respondents (271 answers or 86%) feel the need to discuss issues of professional ethics with relevant organizations. The key factor here can be that sharing of the concern should happen on the anonymous basis, unless the reporter wants to reveal the personality.

Table 12. Should the accountants have the opportunity to discuss issues of professional ethics with relevant organizations on an anonymous basis?

| Entity type | Yes | | No | | Total |
|----------------------------------|------------|----------------|-----------|----------------|------------|
| | Δ | % row of total | Δ | % of row total | |
| Private sector | 173 | 85% | 30 | 15% | 203 |
| Public/governmental organization | 91 | 88% | 12 | 12% | 103 |
| Self-employment | 7 | 78% | 2 | 22% | 9 |
| Total | 271 | 86% | 44 | 14% | 315 |

Source: prepared by the author

Analysis of responses throughout entity type shows the prevalence of the need to discuss ethical issues for all organizations (Table 12). Private sector totaled of 85%, while public organizations totaled even higher (88%) towards expressing and discussing professional ethical issues. The number of those who have no need to share any ethical issues with interested organizations totaled of 44 or 14% of survey sample. Data in Table 12 has proved that current public as well as state organizations must take a lead in reassuring that accountants can freely discuss the ethical issues and get a support in return.

After analysis of cases of ethical misconduct and their consequences, the next points can be considered as crucial:

- the objectivity of accountants is questioned very often (reported by 77%);
- accountants often face the situations that undermines their professional reputations (reported by 67%);
- misconduct of professional ethics can escalate more serious consequences, such as conflict of interests (reported by 67%) or financial issues (reported by 41%);
- there is an obvious need for practitioners to share ethical concerns on an anonymous basis with relevant organizations, with 86% supporting the statement.

Results of analysis provided in this chapter showed that the topic of accounting professional ethics is very important to Ukrainian accounting practitioners. Ukrainian accountants highly recognize the principles of The Code and express its solidarity that if The Code is always followed the quality of accounting activities would raise. However, the level of professional ethics in Ukraine remains on a low level and accountants often face ethical issues, act against the current laws or regulations, and can be put under pressure. Stabilization and further development of national accounting regulations, including ethical framework, must be done within mutual cooperation of private and public sectors, involving governmental bodies. In addition, the critical mass of respondents in the survey supported the initiative of discussing ethical issues with respected organizations.

The next part of this chapter concludes the survey findings, discusses it through the conceptual base presented in first part and suggests future implications and research problems.

2.3. Conclusions and suggestions

The objective of this paper was to identify the adherence to ethical behavior and prevalence of ethical issues in accounting practice in Ukraine, following by a set of the research questions presented at the beginning of the paper. For this purpose, the author made comprehensive study of the methodological framework of professional ethics and launched an online questionnaire, targeting professional accountants in Ukraine.

Reviewing of previous studies on the topic of professional ethical behavior in the first chapter validated the importance of adherence to professional ethics and its favorable effect. The

users of accounting information must rely on the data produced by accountants. The quality of data and professionalism of accountants play an important role in both business and public transactions. One of the unprecedented facts is that ethics contributes a bigger value to the organizations, showing them as more credible on the market. Another favorable side is that in ethical organizations, the employees are more cohesive and supportive, that allows easily overcome obstacles and internal conflicts. Many studies stress the proper educational trainings as a key prerequisite for improving professional ethics. Besides that, the leading regulatory role in the field is put on the shoulders of governmental and non-governmental law-making bodies.

Establishment of Ukrainian ethical practice in accounting is still in its formation. The Code of Ethics for Professional Accountants was introduced in Ukraine in 2004, that could be treated as the most significant milestone in regulation of accounting ethics since then.

To follow the scope of the paper, the author decided on the set of five research questions. In order to address the research questions, the exploratory quantitative method in the form of online questionnaire was chosen. Therefore, the sample of 315 responses from accounting practitioners was received. The sample demographics was valid to reassure the data relevance, integrity and survey objectives. The sample consisted of 63% responses submitted by chief accountants and 32% responses submitted by accountants. Allocation of sample within entity type had 64% of answers submitted by private sector and 33% submitted by public sector.

The survey findings revealed various facts regarding the professional ethical environment of accountants in Ukraine. The findings provide an empirical evidence towards examination of accounting ethics in Ukraine and, thus, research questions can be answered accordingly:

Q1. How do accountants in Ukraine perceive the level of professional ethics and the application of The Code of Ethics?

It can be concluded, that only 9% of accounting practitioners considered professional ethics in Ukraine to be highly developed. 41% found it as of medium level, and the rest 50% claimed the level of accounting ethics in Ukraine as very low. These findings correlate with descriptive studies by Ukrainian scholars, discussed in the first part of the thesis. Thereby, not only the scholars suppose that professional ethics in Ukraine is in its infancy, but the practitioners also. Furthermore, 65% of respondents found professional ethics as very important and 28% as

quite important. The knowledge of The Code of Ethics for Professional accountants voted by 93% of participants as of great significance. The findings showed that all five principles of The Code (Integrity, Objectivity, Professional competence and due care, Confidentiality, Professional Behavior) are considered by respondents of equal high value. Nevertheless, the highest was rated Objectivity (average 4.55 out of 5 points) and the lowest scored Integrity (average 4.36 out of 5 points).

Q2. Do accountants always follow current laws, regulations and standards?

Validating this hypothesis revealed that many respondents are often being asked to act contrary to the legislation (71%) and even more participants had observed such actions (79%). However, the practitioners in most cases follow the legal procedures and 83% of responses declared that they always follow the laws. Public organizations have higher level of adherence (90%) versus private organizations (79%). This could suggest the further investigation of why private sector must act against laws. The author assumes that business transactions in Ukraine involve the high level of complexity, often accompanied by “shadow” activities or corruption schemes. Additionally, the worrying fact is that the average likeliness of accepting gifts by accounting practitioners was rather high (2.79 out of 5 points scale). The author finds such practice as very unacceptable in working activity of any profession.

Q3. Does the pressure occur in accounting activities?

According to survey results, occurrences of pressure in accounting practice happen very or quite often (reported by 82%). 70% (219 responses) experienced themselves under pressure directly. As it was indicated by respondents, the pressure is exerted by three parties: management (81%), colleagues (10%) and state bodies (8%). In more than half cases when pressure was exerted (52%), the practitioners were threatened (dismiss, salary reduction, etc.) and sometimes (19%) they were offered a reward for executing desired actions. The author strongly suggests the further discussion of pressure occurrences in accounting activity and preparing the prevention steps on how to avoid it or how accountants should act in such situations.

Q4. Does the disregard of professional ethics result in negative consequences?

Prior to validating this research question, the survey identified that many respondents were in situations that questioned their objectivity (77%) and in situations that undermined professional reputation (67%). Non-following of principles of accounting ethics can lead to internal conflicts (67%), or result in more serious consequences, since 41% of respondents indicated financial issues that were caused by professional ethics misconduct. This fact, once more supports the previous discussion in the thesis on the positive value of ethics for organizations. Ethical organizations are not only more cohesive internally, but position themselves as credible on the market, - this is a point at which professional ethics becomes a competitive advantage. The author strongly stresses the importance of ethical behavior in business and suggests that there must be comprehensive campaigns in business mass media showing the value of professional ethics.

Q5. Is there a need to teach accounting professional ethics in high educational institutions?

Proper educational and practical training on professional ethics was discussed in the first part of the paper. The evidence out of research findings showed that 63% of participants agree with including professional ethics into study curriculums; the rest 29% agree to some extent and 9% do not support it. Additionally, the research discovered that accountants would like to share the ethical concerns with relevant organizations (86%). The discovery brings the unprecedented importance of professional ethical training for accounting practitioners.

The findings above emphasized that the research questions ascertained by the author were fully examined and proved. Current thesis significantly contributes to developing of accounting professional ethics in Ukraine. Various aspects of professional ethics discussed above should be considered by accounting organizations in Ukraine, as well as business executives and everybody who works in or influences accounting activities. Application of research findings may involve different reforms in education, reviewing of methodology and national standards. For business, it might be a matter of change management, since ethical behavior must be a corporate value and followed on every level of organization structure.

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APPENDICES

Appendix 1 – Survey questionnaire

Проблеми професійної етики бухгалтерів в Україні (анонімне опитування)

У Кодексі етики професійних бухгалтерів МФБ відзначається, що „характерною рисою певних професій є прийняття відповідальності перед суспільством“. За довгі роки служіння бухгалтерів клієнтам, роботодавцям та суспільству ця професія набула репутації такої, що її представникам властиві чесність, об'єктивність та компетентність. Кожен професійний бухгалтер, який не виконує (або справляє враження, що не виконує) професійних стандартів та законодавчих вимог, шкодить репутації професії.

Мета даного дослідження провести оцінку проблем етики, які можуть виникати перед бухгалтерами. Анкетування проводиться на анонімній основі. Тривалість 5-10 хв.

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* Required

Ваш вік? *

- ≤25
- 26-35
- 36-45
- ≥46

Найвищий рівень закінченої освіти? *

- Бакалавр
- Магістр
- Кандидат/Доктор наук
- Other: _____

Appendix 1 Continued

Виберіть правову форму юридичної особи, в якій Ви працюєте? *

- Державна/публічна організація
- Приватний сектор
- Самозайнятість

Зазначте ваш стаж роботи: *

- <1 року
- 2-5 роки
- 5-10 років
- >10 років

Яка ваша посада? *

- Головний бухгалтер
- Бухгалтер
- Асистент бухгалтера
- Other: _____

Відношення до професійної етики

Чи завжди Ви керуєтеся у своїй діяльності діючими законами, правилами і стандартами? *

- Так
- Ні

Appendix 1 Continued

Оцініть наступні категорії за 5ти бальною шкалою, де 1 - абсолютно незгоден, а 5 - повністю згоден *

| | 1 | 2 | 3 | 4 | 5 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Професійна етика в Україні знаходиться на високому рівні | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Важливість дотримання професійної етики | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Професійну етику необхідно викладати в вузах | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Необхідність знання Кодексу етики професійних бухгалтерів України | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Оцініть своє ставлення до отримання подарунків (матеріальних, грошових) у вашій професійній діяльності? *

| | 1 | 2 | 3 | 4 | 5 | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|
| Абсолютно неприйнятно | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Цілком прийнятно |

Оцініть значущість принципів Кодексу етики професійних бухгалтерів, де 1 - абсолютно неважливий, 5 - дуже важливий. *

| | 1 | 2 | 3 | 4 | 5 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Чесність | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Об'єктивність | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Професійна компетентність та належна ретельність | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Конфіденційність | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Професійна поведінка | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Чи просили Вас діяти всупереч технічним та / або професійним стандартам? *

- Так
 Ні

Appendix 1 Continued

Чи спостерігали Ви у своїй кар'єрі дію всупереч технічним та / або професійним стандартам? *

- Так
- Ні

Яка сторона чинила тиск? *

- Керівництво
- Колеги
- Члени родини/друзі
- Other: _____

Чи пропонувала Вам сторона, що чинила тиск, будь-яку винагороду за це? *

- Так
- Ні

Чи погрожувала Вам сторона, що чинила тиск, будь-яким чином (наприклад, скороченням заробітної плати, зниженням в посаді, звільненням, інше)?

- Так
- Ні

Чи стикалися Ви з тиском на вашу роботу всупереч законним стандартам і / або професійної етики? *

- Так
- Ні

Appendix 1 Continued

На вашу думку, як часто бухгалтери піддаються тиску? *

- Ніколи
- Рідко
- Часто
- Дуже часто
- Важко відповісти

Чи стикалися Ви з переліченими ситуаціями: *

| | Так | Ні |
|--|-----------------------|-----------------------|
| ситуаціями, котрі ставили Вашу об'єктивність під сумнів? | <input type="radio"/> | <input type="radio"/> |
| ситуаціями, які підривали Вашу професійну репутацію? | <input type="radio"/> | <input type="radio"/> |
| ситуаціями, які призводили до конфлікту інтересів? | <input type="radio"/> | <input type="radio"/> |
| внутрішнім конфліктом на тлі професійної етики? | <input type="radio"/> | <input type="radio"/> |
| негативними наслідками, причиною яких стало порушення принципів професійної етики бухгалтерів? | <input type="radio"/> | <input type="radio"/> |
| фінансовими проблемами, причиною яких послужили порушення принципів професійної етики бухгалтерів? | <input type="radio"/> | <input type="radio"/> |

Як Ви вважаєте, чи повинні бухгалтери та аудиторі мати можливість обговорювати питання професійної етики з зацікавленими організаціями на анонімній основі? *

- Так
- Ні