



Impact of Familiarity with the Accountant Professional Code of Ethics on Ethical Behavior among Students

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Abstract

The objective of this research is to ascertain the degree to which comprehension of the professional accountant's code of ethics impacts the ethical conduct of pupils. This research employs an associative descriptive technique, using a quantitative approach. The research data was collected by administering questionnaires to three universities: Widyatama University, Padjadjaran University, and Bandung Islamic University. A total of 52 students participated in the study, and the sampling approach used was simple random sampling. SPSS 24.0 software is used for conducting hypothesis testing. The findings indicated that the comprehension of the professional accountant's code of ethics had a favorable and substantial impact on the ethical conduct of PPAK students in Bandung.

Keywords: Accountant, Professional Code of Ethics, Ethical Behaviour

Introduction

In the present age of globalization, the level of competition is increasing, and only those who are prepared and with sufficient resources and a professional mindset can thrive and endure. Each occupation necessitates the execution of tasks in a professional manner. In order for a profession to remain competitive in today's business environment, it is essential that it have specialized competencies and capabilities. However, other from possessing unique skills and knowledge, a profession must also adhere to a set of ethical principles, which are specific norms that professionals must abide by.

The accounting profession is now under intense scrutiny from the public due to a series of ethical infractions perpetrated by accountants. One notable instance resulted in the State incurring damages amounting to 12.48 trillion rupiah. The Supreme Audit Agency (BPK) discovered instances of fraud and inconsistencies in the financial reports of several ministries, state-owned entities, and local governments in 2012. These discrepancies resulted in losses

amounting to a maximum of 12.4 trillion (www.bpk.go.id, 2012). In addition to the previous anomalies in Indonesia's finances, another significant case was brought to light by the BPK in 2011. This case included the acquisition of electronic identification cards, often referred to as e-ktip, and revealed a staggering amount of 71.95 billion (www.bpk.go.id, 2012).

In 2018, there was a case of an accountant engaging in irregularities at the Sun Prima Nusantara Pembiayaan (SNP) Finance company. The individuals involved were public accountants Marlinna and Merliyana Syamsul, along with KAP Satrio Bing Eni and their colleagues, who are affiliated with Deloitte in Indonesia. This is an instance of manipulation that caused damage to 14 partner banks of SNP Finance (Tempo. Co, September 28, 2018). This issue arose from the downturn in the retail industry, which is the parent company of SNP Finance, resulting in insufficient credit from SNP Finance to the banks who partnered with them. Finance provided to banks that engage in debt and credit cooperation might become problematic, resulting in what is often referred to as a non-performing loan (NPL). SNP Finance addressed the problem of non-performing loans (NPL) at the branch office by issuing medium-term notes (MTN) or medium-term debt instruments. The company's management engaged in financial statement manipulation via the creation of phony receivables derived from fraudulent sales. The receivables were committed to creditors in order to facilitate the extension of credit. SNP Finance supplied fabricated papers including client data in Columbia to facilitate the manipulation. Regrettably, KAP Deloitte issued an unqualified opinion on SNP Finance's financial accounts, failing to identify the fraudulent activities perpetrated by the company's management.

If every accountant and aspiring accountant in Indonesia possessed adequate knowledge, comprehension, and the ability to apply ethical principles in their professional responsibilities, the occurrence of various violations committed by public accountants, internal accountants, or government accountants could have been prevented. By adopting a professional accountant's mindset, he will effectively handle the demands that originate from both internal and external sources. An accountant's capacity to comprehend and demonstrate sensitivity towards ethical matters is significantly shaped by their surrounding environment. The conduct of an accountant may be influenced by one specific aspect, which is the educational environment (Maryani and Ludigdo, 2001).

The profession of Public Accountant is characterized by the responsibility of upholding public confidence. The public accounting profession is responsible for providing an unbiased evaluation of the financial statements produced by firm management, as expected by the public (Mulyadi, 2001). Public accountants are auditors who provide services to the general public, namely in the realm of examining financial accounts submitted by their customers. In order to become a Public Accountant, it is necessary to possess a minimum degree of Ak. To get this degree, one must pursue professional education, namely Professional Accountant Education (PPAK), and successfully complete either the CPA (Certified Public Accountant) test or the Public Accountant Certification test (USAP). The Professional Accountant Education (PPAK) program has been conducted at many institutions in different places, with a particular focus on Bandung. These universities include Widyatama University, Padjajaran University, and Bandung Islamic University.

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Professional associations, such as accountants, adhere to a set of moral principles known as professional ethics. The purpose of the code of ethics is to maintain a high level of competence among group members, govern their interactions, and enhance and safeguard the reputation of the profession and the well-being of the professional community (Simamora, 2012: 44). The professional code of ethics aims to govern the moral conduct of a certain societal group by written guidelines that are intended to be maintained by a particular group of professionals. Having a code of ethics helps enhance public confidence in a profession, since it ensures that each client's interests are securely protected. The code of ethics serves as a guiding principle that establishes the ethical path for a profession and simultaneously preserves the reputation of the profession in the eyes of society (Yatimin, 2006: 684). A professional code of ethics is necessary due of the community's reliance on trust.

The Code of Ethics of the Indonesian Accountants Association, released by the Indonesian Accounting Association (IAI), governs the professional ethics for accountants practicing in Indonesia. The Indonesian Accounting Association is the sole professional organization in Indonesia that comprises auditors of different categories (government auditors, internal auditors, and independent auditors), management accountants, accounting educators, and accountants working outside the auditing profession, including management accountants and educators. The Indonesian Institute of Accountants Indonesia (IAI) has been endorsing the "Code of Ethics for Indonesian Accountants" since 1975 to uphold the professionalism of accountants. This code has been revised in 1986, 1994, and most recently in 1998. The prologue to the principles of professional ethics states that when becoming a member, an accountant is obligated to maintain self-discipline that beyond the requirements set by laws and regulations.

Research on the ethics of the accounting profession is conducted due to the inherent connection between the profession and commercial operations. Accountants are required to operate with professionalism, necessitating a thorough understanding and application of professional ethics. This study also included students in the field of professional education for accountants (PPAK) since they are aspiring accountants who need to be prepared with knowledge of ethics in order to practice their profession with adherence to professional ethical standards. A thorough comprehension of ethics is crucial for accounting students and plays a significant part in the development of the accounting profession in Indonesia. Prospective accountants must be provided with a comprehensive comprehension of the professional ethical dilemmas they will encounter.

According to Maryani and Ludigdo (2001), ethical attitudes and conduct refer to views and behaviors that align with widely recognized societal standards about activities that are considered useful or detrimental. An accountant's adherence to ethical principles directly impacts their standing in society as a consumer of accounting professional services. The conduct of present pupils may provide insights into the behavior of future leaders (Reiss & Mitra, 1998). An analysis of student behavior is necessary to ascertain the degree to which they will exhibit ethical conduct in the future. Ethical concerns have significant prominence in the realm of accounting within higher education, since the educational setting plays a pivotal role in molding students' conduct to cultivate professionalism. Higher education serves as a

provider of skilled workforce, specifically tailored to fulfill the demands of the current market. Hence, it is important to cultivate individuals who possess specialized proficiency in their respective domains and exhibit exemplary ethical conduct (Rahmi and Hastuti, 2007).

Pamela's (2014) prior study yielded findings that indicate a correlation between comprehension of the accountant's professional code of ethics and ethical conduct among accounting students at UNY. Based on the findings of Nanik and Dyah Ayu's (2018) study, it was determined that the level of comprehension of the accountant's professional code of ethics had a partial impact on the ethical conduct of accounting students at Muria Kudus. Contrary to the findings of Felistia Anggi's (2012) study, which concluded that there is no discernible correlation between comprehension of the accountant's professional code of ethics and the ethical conduct of accounting students.

These findings indicate that past studies have shown discrepancies. As a consequence, researchers want to reassess the impact of comprehending the accountant's professional code of ethics on the ethical conduct of students, taking into consideration various places, scopes, and study subjects. Prior studies have investigated the impact of the accountant's professional code of ethics on the ethical conduct of accounting students. However, this study aims to explore the comprehension of the accountant's professional code of ethics on the ethical behavior of students pursuing professional education in accounting (PPAK). This is because PPAK students are more likely to become accountants in the future, whereas undergraduate students may not necessarily pursue a career in accounting.

Literature Review

Ethical standards for accountants in their professional practice

Professional ethics pertains to the conduct of individuals in professional roles, serving both practical and idealistic objectives. Hence, it is essential that the code of ethics be both pragmatic and enforceable. In order to be effective, the code of ethics should surpass legal requirements, but be below the level of the ideal (Haryono, 2005). According to Maultz and Sharaf (2012), professional ethics may be seen as a specific implementation of social ethics. Social ethics stresses the existence of certain principles that serve as the foundation for an individual's conduct. Understanding the consequences of one's actions on oneself and others, being conscious of the expectations of the society one resides in, adhering to religious principles, embracing personal responsibilities, consistently practicing reciprocity, and acknowledging societal ethical standards all contribute to the attainment of a superior level of ethical conduct. Organizations develop professional ethics to impose more stringent norms of professional behavior on its members, who willingly embrace these standards that beyond legal requirements. These concepts are expressed as a code of ethics.

The Indonesian Accountants Association (IAI) Code of Ethics

The accountant's code of ethics encompasses a set of moral principles and standards that provide direction in interactions with clients, the public, other accountants, and other relevant stakeholders. Public accountants must prioritize the assurance of high-quality

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professional services for customers, the public, and other consumers of such services. To instill confidence in the public about the adequacy of public accountants' work, the public accounting profession must enhance the quality of its audits and diligently and meticulously fulfill its responsibilities.

The code of ethics of this accountant association aims to facilitate public accountants in attaining the desired level of examination quality. Additionally, the code of ethics serves as a comprehensive guide and rulebook for all members, including those working as public accountants, in the business sector, government agencies, and education field, to fulfill their professional obligations. The Indonesian Accountants Association Code of Ethics comprises eight fundamental principles of ethical conduct, as outlined in the Public Accountants Professional Standards (2001: 001.14).

The following are the key principles of professional conduct:

- a. Professional Responsibility
- b. Public Interest
- c. Integrity
- d. Objectivity
- e. Competence and professional prudence
- f. Confidentiality
- g. Professional behavior
- h. Technical standards

Significance of Comprehending the Accountant's Professional Code of Ethics

The objective of comprehending the professional code of ethics, as per the viewpoint of Kilpatrick and Findel (2011), is to get a thorough awareness of the principles and guidelines that govern professional conduct.

- a. To achieve a unified understanding of evaluating favorable and unfavorable human conduct or deeds within a certain temporal and spatial context.
- b) Guiding the progress of society towards a state characterized by harmony, order, organization, peace, and prosperity.
- b. Encouraging individuals to use critical thinking and logical reasoning while making independent choices
- c. Ethics serves as a guide for human existence.
- e) It involves possessing a profound mindset, as well as autonomy and accountability for one's own life.
- d. Guides people in cultivating moral excellence
- e. As a universally applicable standard. He examined the fundamental grounds of a rule and assessed if such grounds might provide the required compliance to the standard that may be applicable.

Theory of Planned Behaviour

Ajzen (1991) defines the Theory of Planned Behaviour (TPB) as a framework that addresses conduct in situations when individuals may not possess complete comprehension and control. The key element of TPB is the individual's desire to engage in certain activities.

Generally, under the Theory of Planned Behaviour (TPB), stronger attitudes and subjective standards, together with higher perceived control over action, lead to a stronger desire to engage in the activity in issue. An individual who has a comprehensive understanding of societal standards would conduct themselves in a manner that aligns with their responsibilities and entitlements, demonstrating professionalism. One professional activity is objective action, which involves behaving in an objective manner. This means that the person's conduct will also be objective (Burhanudin, 2015: 64).

The Theory of Planned Behaviour posits that human conduct is influenced by three key elements: beliefs about behavior and the judgment of its effects, beliefs about the expectations of others, and beliefs about the existence of other components, such as comprehension. Among the three components, behavioral beliefs have an impact on attitudes towards certain activities, whereas social beliefs contribute to the establishment of perceptions of social pressure to engage in particular actions (Machrus & Purwono, 2010: 64). Based on the aforementioned explanations, it can be inferred that the Theory of Planned Behaviour enables individuals to conduct deliberately and take into account many factors that may influence the outcome of their actions.

Definition of Ethical Behavior

Griffin and Ebert (2006: 58) define ethical conduct as behavior that aligns with widely recognized societal standards about right and virtuous deeds. The ethical conduct of people, particularly workers, may significantly impact their quality. This conduct is driven by external influences and then manifests as behavioral principles. Ethical behavior in organizations refers to the practice of doing acts in a fair manner, in compliance with constitutional law and relevant government rules. In her post on Ethical Behavior and Social Responsibility, published on Sunday, December 09, 2012, Mega Febrianti defines ethical behavior as the adherence to moral standards that determine what is good and wrong in one's actions. Ethical refers to adhering to the norms, standards, and practices of right conduct, particularly those related to professional standards.

Determinants of Ethical Conduct

Zulfahmi (2010) identifies personal elements as the primary influencers of an individual's conduct.

- a. These influences originate from inside the person.
- b. Situational factors refer to external influences that might force individuals to conform to the norms and values of the group or organization they are a member of.
- c. Factors that promote and strengthen one's behavior via stimulation.

The Significance of Ethical Conduct for Accounting Students

The education of professional accountants focuses not only on the acquisition of skills and information, but also on the cultivation of ethical standards and professional dedication (Mintz, 2005). A professional organization's ethics are codified in a written set of standards known as a code of ethics. The code of ethics serves as a framework for professionals to

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maintain the reputation and confidence of the community, ensuring the continued existence and survival of the profession (Tikollah et al, 2006).

Larkin (2000) asserts that it is crucial to be able to discern ethical and unethical conduct within a profession, since the profession's credibility would be compromised if individuals engage in unethical activity. Engaging in unethical behavior as an auditor has the potential to undermine public confidence in the auditing profession (Khomsiyah and Indriantoro, 2011).

Accounting students must prioritize ethical behavior as it aligns with societal norms and values. Their conduct serves as a reflection of future leaders, making it crucial to uphold ethical standards. By adhering to the accountant's code of ethics, students ensure the fair presentation of financial reports in accordance with established financial reporting standards.

Research Method

The study used an associative descriptive technique with a quantitative approach. Descriptive techniques are used to provide a detailed explanation of study findings, while causal associative methods are utilized to examine the relationship between comprehending the code of ethics of the accounting profession (X) and the ethical conduct of accounting students (Y). Quantitative methodologies are used to evaluate hypotheses, offer factual information or explain statistical data, demonstrate the correlation between variables, and in certain cases, to formulate ideas, enhance comprehension, or describe various phenomena (Subana and Sudrajat, 2005).

Table 1. Operational Research Variables

Variable	Indicator	No Item	Scale
Understanding of the Accountant Professional Code of Ethics (X) (Public Accountant Professional Standards, 2001: 001.14)	Professional Responsibility	1, 2, 3, 4, 5, 6*	Likert
	Public Interest	7, 8, 9	Likert
	Integrity	10, 11	Likert
	Objectivity	12, 13, 14	
	Competence and Professional Prudence	15, 16	Likert
	Confidentiality	17, 18	Likert
	Professional Behavior	19, 20, 21	Likert
	Technical Standards	22, 23, 24*, 25	Likert
Ethical Behavior (Y) (Nugrahaningsih, 2005)	Ethical attitude in performing tasks with one's own ability	1, 2	Likert
	Not breaking the rules in working on questions	3*, 4*	Likert
	No bribery ethical attitude in doing assignment	5*, 6*	Likert
	Preparing yourself when facing questions exam	7, 8	Likert

Source: Data Processed, 2019

The research focused on active Accounting Professional Education (PPAK) students who have completed professional ethics courses in Bandung City. Specifically, the participants were PPAK students from Widyatama University, Padjajaran University, and Bandung Islamic University. The research used a sample of 52 students, which was produced using the Slovin formula and a basic random sampling method.

The major data gathering methodology used is the questionnaire method, which involves giving questionnaires to respondents in order to gather pertinent information. Data collection was conducted by personally delivering questionnaires to respondents in order to enhance the response rate. A questionnaire is a method of gathering data when respondents are presented with a series of questions or statements to answer (Sugiyono, 2017, p. 142). To assess the value in the questionnaire, a Likert scale is used.

To examine the hypothesis, researchers used descriptive statistical tests and conducted basic linear regression analysis using SPSS software tools. Descriptive statistics are statistics used to examine data by summarizing or describing the data that has been acquired as is without aiming to draw broad inferences or generalizations (Sugiyono, 2012, p. 169). Meanwhile, a simple regression analysis is conducted to test the hypothesis that each independent variable has an impact on Ethical Behavior.

The research used a significance level of 5%. Therefore, the decision criteria for testing this hypothesis are as follows:

- a. If the estimated t value is less than the critical t value at $\alpha = 0.05$, then the null hypothesis (H0) is accepted.
- b. If the calculated t-value is greater than or equal to the critical t-value at a significance level of $\alpha = 0.05$, then the null hypothesis (H0) is rejected.

Result and Discussion

Description of Understanding the Accountant Professional Code of Ethics

Table 2. Percentage Description of Understanding the Accountant Professional Code of Ethics

No	Indicator	SS	S	TS	STS
1	Professional Responsibility	242	261	33	68
2	Public Interest	138	154	6	2
3	Integrity	88	108	4	0
4	Objectivity	156	134	8	2
5	Competence and Professional Prudence	96	102	2	0
6	Confidentiality	104	86	8	2
7	Professional Behavior	153	143	4	0
8	Technical Standards	131	177	56	36
	Total	1.108	1.165	68	110
	%	45%	48%	3%	4%

Source: Data Processed, 2019

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Based on the respondents' preferences regarding their understanding of the accountant's professional code of ethics, it can be inferred that students possess a comprehension of the accountant's professional code of ethics. This is evident from the fact that 48% of the respondents indicated agreement with the statement, indicating a majority consensus. Typically, students have comprehended the obligations of the accounting field, the importance of serving the public, maintaining honesty, impartiality, expertise, and caution, safeguarding sensitive information, adhering to professional conduct, and following technical guidelines while doing their tasks as an accountant.

Description of Ethical Behavior

Table 3. Percentage Description of Ethical Behavior

No	Indicator	SS	S	TS	STS
1	Ethical attitude in performing tasks with one's own ability.	98	92	10	0
2	Not breaking the rules in working on questions	2	20	119	65
3	No bribery ethical attitude in doing assignment	6	16	82	66
4	Preparing yourself when facing questions exam	126	66	8	0
Total		232	194	219	131
%		30%	25%	28%	17%

Source: Data Processed, 2019

Based on the respondents' preferences for variables related to student ethical behavior, it can be inferred that the majority of students have demonstrated ethical conduct. This is evident from the fact that 30% of respondents strongly agree with positive statements regarding ethical behavior, while 28% disagree with negative statements. Overall, students have shown commendable ethical conduct by independently completing their tasks to the best of their ability, adhering to the rules while solving issues, refraining from engaging in unethical practices such as bribery, and adequately preparing themselves for examinations.

Conclusion

The author's research and discussion on the impact of accounting profession's code of ethics on the ethical behavior of PPAK students in Bandung City concludes that understanding the code of ethics has a significant and positive influence on the ethical behavior of these students. Therefore, a strong comprehension of the accountant's professional code of ethics directly correlates with improved ethical conduct among PPAK students in Bandung City. On the other hand, if the comprehension of the accountant's professional code of ethics is lacking, the ethical conduct of PPAK students in Bandung City will be more negative.

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