

A JOURNEY THROUGH ETHICS IN ROMANIAN ACCOUNTANCY

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Abstract: *This paper aims to examine the ethical and moral profile of accountants in Romania, as a further step in understanding the adapting of the accountants' profile to the evolution of the profession in the context of an accounting system that "went through complex accounting reforms of more than two decades" (Mustață et al., 2011). The paper researched on studies focused on accountants' ethics from different perspectives like ethics in education, ethics in codes of ethics, perception of ethics between men and women in different cultures. Since an individual's personality is shaped within family primarily by behaviors of parents, responses indicated that family life plays a key role in the development of ethics awareness. Ethics is not part of curricula during university studies in accountancy in countries like Iran, where there were differences revealed in ethical standards according to gender as females have stronger religious beliefs and males are more egoistic than females. About ethics in the codes, the study questioned if the code of ethics is protecting the public interest or serving the private interests of the profession? Various literature states that responsibility of an accountant should be more than satisfying the needs of an individual and should meet the "public interest". In Romania, the Body of Expert and Licensed Accountants of Romania (CECCAR) was established in 1921 and supports and promotes high quality professional practices through special concern for the competence, aptitudes and ethics of those involved in the profession. Due to its fundamental commandments, CECCAR provides quality assurance of the services supplied by its members, guarantees initial education and continuous development of the professional accountants, oversees knowledge and application of ethics and the deontological conduct of the professional accountants. This work is a qualitative study, based on the review of the relevant literature, blended with a research based on semi-structured interviews with several Romanian professionals. Our conclusion is that perseverance in applying the professions' principles and the professionalism are key factors in maintaining ethics level.*

Keywords: *Accountancy; Accountant; Ethics; Moral; Profession.*

JEL Classification: *M410.*

1. Introduction

This paper aims to triangulate data from the academic literature and local interviews, in order to identify information regarding the ethical and moral profile of accountants. The purpose is to draw a wider picture of the professionals and compare the results with the Romanian institutional context.

In the last decades, in Romania, accountancy evolved together with the economic necessity of the market. The same evolution is needed for the professionals. The accounting system, "went through complex accounting reforms of more than two decades" (Mustață et al., 2011). (Filip and Raffournier, 2007) cited in (Musatață et

al., 2011) consider that 1989 represented a starting point of transformations and reforms in several areas of Romanian economics, including accounting. From a legal and technical perspective, we are referring to the harmonization process that the Romanian accounting system had to achieve regarding the European Acquis, and the adjustment at the International Accounting Standards and International Financial Reporting Standards that shook the traditional system. As consequence, a metamorphosis of the profession followed. New experiences and challenges had to be faced by the professionals which are now important part of the economic life in Romania, still achieving skills and acknowledgement of their role in the society.

The study is organized as follows: a literature review on the moral profile of the professionals in an international context is followed by the description of the research method. Data analysis follows, and a conclusion part ends the paper.

2. Literature Review

In order to elaborate this paper, a review of the academic literature has been done together with qualitative methods as follows: the research was conducted in international publications like *Accounting in Europe*, *European Accounting Review*, *Critical Perspectives on Accounting*, *Accounting and Business Research*, *Accounting, Auditing and Accountability Journal*, and *Accounting and Management Information Systems*. The research was made using data base like Emerald Insight, and Clarivate Analytics Web of Science. The interrogations have been done using keywords like: "Accountancy", "Ethics", "Moral", "Profession", and 119 articles qualify connected to the subject of the research. For the elaboration of this paper 20 articles were selected and 6 were reviewed underneath.

Recent research (Bampton *et al.*, 2013; Tweedie *et al.* 2013; Baker, 2014) indicates that "the proportion of business ethics literature devoted to accounting and the proportion of academic accounting literature devoted to ethical issues are both small, and yet there has been a steady accumulation of research devoted to ethical issues in accounting". The papers resumed below studied accountants' ethics from different perspectives like ethics in education, ethics in codes of ethics, perception of ethics between men and women in different cultures.

A study developed in Turkey (Uyar and Güngörmüş, 2011) investigate accounting professionals' perceptions of ethics awareness, ethics education in university and pre-qualification, and the coverage of accounting ethics education. Data was collected using questionnaire based on a review of earlier studies on 219 accountants. The findings demonstrated that the respondents have not taken ethics education previously and that all stages of education life, from kindergarten to university, are important and contribute to the development of ethics awareness. The survey revealed that ethics education should concern the university education, but also the secondary and high school stages.

Since an individual's personality is shaped within family primarily by behaviors of parents, responses indicated that family life plays a key role in the development of ethics awareness. The ethics awareness is considered to be influenced also by peers, education life, teachers, social activities and work environment. The respondents considered a course of ethics to be the most appropriate approach in teaching and develop the ethical awareness (Uyar and Güngörmüş, 2011). Professional need to show interest in setting the regulations and taking precautions

about ethical work. Corporations have also great responsibility in ensuring ethical behavior among employees and should not foster unethical behavior like pressure on targets together with high rewarding.

Another research conducted in the U.S. (Baker, 2014), using the Foucault's concept of "codified discourse" presents the development of US public accounting profession over the last century. The study revealed that there was little ethical component in the original code of ethics of the profession, promulgated in 1917, that regulated the practice of accounting, as the private interests of the profession was protected as it regulated accounting practice rather than enhance the ethical behavior of accounting professionals. More recent version of the code contains aspirational elements regarding ethical behavior, but which incorporates few enforceable provisions. The research found out that the ethical discourse of the profession is located more in the behaviors of accountants practicing in international public accounting companies. In the Foucauldian sense the professional accountant is self-regulated and self-formed into an ideal member of the profession (Baker, 2014).

The question addressed by (Baker, 2014) is whether the code of ethics is protecting the public interest or serving the private interests of the profession? The results show that the ethical aspects of the profession can be found rather in the early self-forming practices of the profession than in its code of ethics. The study reveals that the market forces have also affected the code in significant ways like the acquisition of public accounting firms by non-accounting firms. Even if the main purpose of these changes was to facilitate the competitive ability of CPA's in alternate practice areas, this also removed the few remaining rules regarding professionalism like encroachment, competitive bidding, advertising, commissions, and contingency fees. The study reveals that there is still questionable if the U.S. CPA's will dedicate to achieving success or to the moral principles like independence, integrity and objectivity.

Another study of ethics through the COE has been developed in New Zealand by (Hooper and Xu, 2012) researched on ethical trends in the profession through a comparison between the current New Zealand Accountants' Code of Ethics and the first one in 1927. The analyse considered the changes in ethical philosophies as reflected in the profession's COE.

The original COE was only 6 pages long and focused on legitimacy by character employing the concepts of virtue ethics and was carefully restrictive and reduced advertising to a small card. The new COE counts 120 pages and the concepts of virtue ethics have now been replaced by a functionalist model, which protects clients by delivering expert services. The current COE is a legitimising tool for the accounting profession that emphasise image and quality. It promotes legalistic and technical values, implying a concern for public relations.

During this time the world has evolved and new ideas now prevail. There have been an increasing number of accounting scandals in recent years and the financial crisis seemed to involve "unethical business practices in the banking and finance industry" (Hooper and Xu, 2012) as these institutions enjoyed the benefits of unqualified opinions from their auditors prior to the collapse. The approach in illustrating the shift in the ethical trends in the accounting profession, is a recent New Zealand case of a collapsed finance company which sustain the "combinations of cognitive, moral and pragmatic legitimacy as drivers employed by accounting firms" (Hooper and Xu, 2012). It seems that the changes in the actual COE together with the shift in

underlying social values, does not have a positive impact on accounting ethics and contributes to a steady decline in professional ethics.

A study conducted in Iran (Modarres and Rafiee, 2011) analysed the extent to which Iranian accountants think ethically and the factors influencing the level of Iranian accountants' ethical decisions. The authors used four theoretical ethics models that have been previously developed by (Keller, Smith and Smith, 2007), (Epstein and Spalding, 1993), (Duska and Duska, 2003): egoism, utilitarianism, deontology and religious, which were tested with two statements ranked on a five point Likert scale. There were differences in ethical standards according to gender as females have stronger religious beliefs and males are more egoistic than females. The study revealed also that the level of education influences the level of ethics criteria. The results show that familiarity with the IACPA Codes of Ethics for Professional Accountants leads to a higher level of ethical standards. The results also show that Iranian accounting students' level of ethics is nearly moderate and there is a need for an ethics educational program in accounting courses in universities in Iran as the accounting curriculum of Iranian universities does not include accounting and business ethics. This finding is in line with the study of (Uyar and Güngörmüş, 2011) which concludes that a course of ethics to be the most appropriate approach in teaching and develop the ethical awareness.

The study (Modarres and Rafiee, 2011) considers the role of the IACPA Code of Ethics established in 2003 in creating awareness of ethics among Iranian accountants. The Code suggest that the responsibility of an accountant should be more than satisfying the needs of an individual and should meet the "public interest"; accountants are invited to work at "the highest standards of professionalism" and "the highest level of performance". Therefore, the IACPA Codes of Ethics encourage utilitarianism and deontology. The study suggests that both Islam religions and IACPA Codes of Ethics encourage utilitarianism and deontology - ethical principles of religions and Islam. While utilitarian, deontological, and religious ethical thinking are fundamentals of the IACPA Code of Ethics, it seems that Iranian accounting students' reliance on these schools of thinking is not strong.

A recent paper developed in China in 2010 approached ethics from a different point of view, researching on the impact of the organizational ethical context on organizational-professional conflict (OPC) and affective organizational commitment (OC) among Chinese accountants. In secondary, the paper analyse the link between ethical context and Machiavellianism.

The paper research on the impact of a debilitated ethical context on the activity of the companies. The study examines the consequences of the ethical climate on "affective outcomes among industry accountants in the People's Republic of China" (Shafer & Wang, 2010). The study is approached on a field survey of 89 professional accountants employed in 15 different companies in Mainland China.

The study suggests that ethical context is a key determinant of OPC and OC. Two aspects of the organizational ethical culture emerged as the dominant influences on both OPC and affective commitment: expectations of obedience to authority and strong ethical norms/incentives. The results revealed that weaker ethical cultures are strongly associated with increased conflict and decreased commitment.

The study reveals that organizational pressure to acquiesce with the demands of superiors may "conflict with accounting professionals' expectations of autonomy, resulting in higher levels of conflict and lower levels of affective commitment" (Shafer & Wang, 2010). The study also suggests that the association between high norms

and expectations/rewards for ethical behavior results in lower levels of conflict and greater commitment. These findings illustrate the importance of a supportive ethical culture in the companies to obtain commitment from employees such as accountants. A study conducted by (Albu et al., 2011) studied the changing role of accountants in Romania, where a number of interventions like harmonization with the European Directives, the introduction of International Financial Reporting Standards (IFRS) and of modern information technologies such as Enterprise Resource Planning (ERP) software made the accounting system more than “a tool to support a planned economy”. The study reveals that the traditional specialized position of the accountant would move towards hybrid positions, as the UK models. In order to obtain an overview of the expectations and roles of accountants, the study used the work of (Boltecker, 2000) and (Jarvenpaa, 2007) in analysing a number of job offers posted online. The study aims to find out what are the current expectations for a Romanian accountant in business and if they reflect a decision-oriented approach. The sample was formed by 1200 - 1500 announcements gathered during 2007, 2008 and 2009. The existing clear separation between financial accounting and management accounting resulted to move towards a hybridization. The frequency of the hybrid category has increased in 2008 and 2009 compared to 2007, demonstrating a tendency towards hybridization. In line with previous studies, the paper found that the process of hybridization is associated with ERP usage and that the accountant is transforming more and more into a consultant or business analyst.

3. Research Approach

A number of 11 interviews have been conducted with accounting professionals in Romania, 4 men and 7 women. The interviewees are not statistically representative. The interviews were semi-structured in the sense that I decided in advance on some topics to be covered during the interview. Interviews duration varied from a minimum of 40 min, to a maximum of 120 min. The interviews were conducted at the workplace of the interviewees or in my office in Constanța. All the interviewees are Romanian citizens and are based in Constanța. The interviews were carried out in Romanian, without using a voice recorder; notes were taken during the interviews and were fully transcribed. Content analysis of transcripts was performed in order to identify the main themes. The observations were discussed in order to eliminate eventual misinterpretations. No qualitative data analysis software was used in the process, as the number of interviews was not very voluminous.

4. Results

The findings of the study conducted by (Uyar and Güngörmüş, 2011) are that ethics is not part of curricula during university studies in accountancy. The same study developed in Turkey, concludes that ethics awareness is shaped within family primarily by behaviors of parents, being influenced also by peers, education life, teachers, social activities and work environment. This conclusion is in line with the statement of I1: “Ethics should belong to the human education and to one’s common sense, like a primarily instinct”. On the matter, (Lehman, 2014) argues that “The abstract idea of a phronemos and the concept of a virtuous life is directly applicable to the (non-)education of accounting.” (Lehman, 2014) explains that “The phronemos

is Aristotle's term for a wise and ethical person who has the capacity to judge and act appropriately."

In Romania, the Body of Expert and Licensed Accountants of Romania (CECCAR) was established in 1921 and is the representative organism of the accountancy profession, non-profit and of public interest. The Body supports and promotes high quality professional practices through special concern for the competence, aptitudes and ethics of those involved in the profession. Due to its fundamental commandments, CECCAR provides quality assurance of the services supplied by its members, guarantees initial education and continuous development of the professional accountants, oversees knowledge and application of ethics and the deontological conduct of the professional accountants.

Career in accountancy in Romania begins with an exam to access a three years stage within the Body of Expert and Licensed Accountants of Romania (CECCAR). During the years of stage, the future accountants are taking ethics lessons and study The Code of Ethics, approved in 2005 by the IFAC Council. The code promotes integrity, objectivity, professional competence and due care, confidentiality and professional behavior. This may not be surprising in the context of other countries as well. For example, prior literature elaborated in U.S. (Baker, 2014) concludes that there was little ethical component in the original 1917 code of ethics of the profession, as it regulated accounting practice rather than enhance the ethical behavior of accounting professionals; more recent version of the code contains aspirational elements regarding ethical behavior, but which incorporates few enforceable provisions.

While ethics is supposed to be a strong professional value in accordance with the accountants' certification and membership to the professional body rules, in practice there are many nuances. Some of the interviewees explain how they struggle to have an ethical behavior and resist pressures. One of the sources of pressures is the management of the company where accountants work. The management expects accountants to minimize the taxes paid. Reflective on the matter, I6 makes a very interesting affirmation:

"All the clients want to obtain profits, but the accountants only elaborate their financial data. As accountant, one should be honest and respect the law. But it's true, there are persons that desire to register a certain result. There are a lot of ways to fraud the law by eronated accounting registration".

At the same regard, I7 suggests that "Managers have often negative interference with the accountants, but they should express in writing the requests for the accountants so there is a track". Very interesting statement of I11 that seems to conclude that the managers' request should not influence the ethics of the accountants that should simply quit their jobs if they are asked to do illegal registrations". This is in contrast with I10 which states that "managers allow accountants to be ethics".

In other cases, the ethical behaviour and the lack of a network to support a less ethical behaviour might have negative financial consequences for accountants. At this regard, I3 states that:

"Once I deposited an offer to a law office and I've been called to discuss. The first question that they addressed was if I know any key person at the Ministry of Finance in order to receive protection in case of frauds. The fact that I had only institutional contacts with the Ministry made me lose the contract".

As previously explained, after the fall of communism (Albu, Albu and Alexander, 2014) Romania registered a number of important accounting reforms. This led to confusions and difficulties for the Romanian accountants that often harmed their ethics. At this regard, I2 considers that "The quality of the professional accounting services is influenced by the chaos legislation which expose the professionals to errors". The same interviewee considers that "Because of the legislative confusion and ambiguousness, the Romanian state elaborates sets of rules, permanently incomplete. We use more of our creativity than working following rules, as we do not apply principles". Legislation changes together with bureaucracy is considered by I10 as factors that negatively influence the accountants' decisions and ethics. On the matter, I9 states that "Ethics in time has been influenced by the legislation politics". The interviews showed that also ethics changed in time. As I6 states: "During my career, I did not analyze my colleagues activity, but from the documents I revised during the time I noticed a decreasing of the professionalism and so the ethics". I7 explains the causes behind the changing of ethics: "Ethics changed in time: during communism every registration was dictated by the party. After the fall of communism, the profession was shocked by the technology development, the documents are spurious electronically and are harder to be identified". In line with the conclusions of the study conducted by (Modarres and Rafiee, 2011) which revealed that the level of education influences the level of ethics criteria, we can by similarity say that the interviews showed that the professionals believe there is a direct link between professional competencies and ethics. I2: "The professional competencies are the most important fact influencing the profession, as the values that the performance gives you, helps flexibility and finding various solutions", I7 states that: "Ethics suppose a lot of elements. First of all, as the professionals, accountants should master very well the legality of the registration of the data in the accounting system".

5. Conclusions

The information obtained in this paper using data from the academic literature and interviews, facilitate us to draw an ethical and moral profile of accountants in Romania.

In Romania, ethics is part of curricula during university studies in accountancy. Ethics studies continues in the years of stage within the Body of Expert and Licensed Accountants of Romania (CECCAR). We found out that "Ethics should belong to the human education and to one's common sense, like a primarily instinct" (statement of I1), in line with the conclusions of the study conducted by (Uyar and Güngörmüş, 2011) Turkey, that ethics awareness is shaped within family primarily by behaviours of parents, being influenced also by peers, education life, teachers, social activities and work environment.

We faced the ethics through the managers pressures on the accountant's activity like minimizing the taxes paid or changing the financial image of the company through insincere reports and we found out that even if accountants some times face this kind of tension, they should maintain their profession integrity and resign if necessary. Studies developed in China revealed that organizational pressure to acquiesce with the demands of superiors may "conflict with accounting professionals' expectations of autonomy, resulting in higher levels of conflict and lower levels of affective commitment" (Shafer & Wang, 2010).

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