



UNIVERSITI PUTRA MALAYSIA

***FACTORS INFLUENCING ETHICS OF ACCOUNTANTS IN FINANCIAL
REPORTING***

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**FACTORS INFLUENCING ETHICS OF ACCOUNTANTS IN FINANCIAL
REPORTING**

By

SUBASHINI A/P JAYATKOMARUNN

**Thesis Submitted to Graduate School of Management, Universiti Putra Malaysia,
in Fulfilment of the Requirements for the Degree of Master of Science**

May 2016

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DEDICATION

I dedicate my dissertation work to my family. A special gratitude to my parents, Mr. Jayatkomarunn A/L R. Subramaniam and Mrs Sarojini A/P Narayanasamy, whose words of encouragement had supported me throughout my thesis. I always appreciate all they have done.



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirements for the Degree of Master of Science

FACTORS INFLUENCING ETHICS OF ACCOUNTANTS IN FINANCIAL REPORTING

By

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May 2016

Chair : Dr. Amalina binti Abdullah
Faculty : Graduate School of Management, UPM

Recently, studies show that financial reporting fraud is increasing in Malaysia and accountants are involved in the fraud. Financial reporting fraud is an unacceptable behavior and it needs to be combated. Ethics is an important component in the accounting profession. However, the ethics of accountants are still questionable due to the increase of ethical failure in financial reporting. The ethical failures have proved that accountants failed to act ethically in disclosing information's in their financial statement. The reasons for accountant's ethical failures are inappropriate ethical judgment, pressure from top management, lack of peers support, poor attitude, and having opportunities to involve in unethical conducts. Accountants are responsible to protect the public interest and public have the expectation that accountants need to act with integrity. However, the financial reporting fraud has caused public distrust of the accountants. This is because accountants have breached their responsibility in providing truthful financial information to the public. Hence, it is important to increase the ethics of accountants towards financial reporting. The objective of the research is to examine the influence of attitude, subjective norm, perceived behavioral control, and ethical judgment, towards ethical intention of accountants in their financial reporting. The second objective of the research is to investigate the influence of ethical intention towards the ethical behavior of accountants in their financial reporting. The third objective is to determine the whether ethical intention mediate the relationship between attitude, subjective norm, perceived behavioral control, ethical judgment and ethical behavior in financial reporting.

Theory of Planned behavior (TPB) is used as an underlying theory in this research. Questionnaires were used to gather data from a sample of 133 Malaysian accountants, which indicates 53% of response rate. Using multiple regression analysis, the statistical technique, data were analyzed and the research hypotheses were tested. The overall findings of this research have shown that there is a positive relationship between attitude, perceived behavioral control, ethical judgment, and ethical intention of accountants in their financial reporting. However, the proposed direct influence of subjective norm was not supported. The ethical intentions positively influence accountant's ethical behavior. The ethical intention fully mediates the relationship

between attitude and perceived behavioral control. Besides, ethical intention partially mediates the ethical judgment and did not mediate the subjective norm. The findings of this research would be useful to increase accountant's ethical decision making towards financial reporting.

Results of the research present practical implications to accounting regulators and Ministry of Education to maximize the ethical decision making of the accountants by tapping the factors into their training programs, conferences, and ethics education. This research also contributes to the body of knowledge on factors influencing accountant's ethical intention and their ethical behavior on financial reporting in the area of business ethics.

Keywords: *Attitude; Subjective Norm; Perceived Behavioral Control; Ethical Judgment; Ethical Intention*

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

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Baru-baru ini, kajian menunjukkan bahawa penipuan laporan kewangan semakin meningkat di Malaysia. Penipuan laporan kewangan adalah satu tingkah laku yang tidak boleh diterima dan ia perlu diperangi. Etika adalah satu komponen yang penting dalam profesion perakaunan. Walau bagaimanapun, etika akauntan masih dipersoalkan kerana peningkatan kegagalan etika dalam pelaporan kewangan. Kegagalan etika telah membuktikan bahawa akauntan gagal untuk bertindak secara beretika dalam mendedahkan maklumat dalam penyata kewangan mereka. Sebab-sebab kegagalan etika akauntan adalah penghakiman etika yang tidak sesuai, tekanan daripada pihak pengurusan, kekurangan sokongan rakan sekerja, kekurangan sikap, dan mempunyai peluang untuk melibatkan diri dalam perlakuan yang tidak beretika. Akauntan bertanggungjawab untuk melindungi kepentingan awam dan orang awam mempunyai jangkaan bahawa akauntan perlu bertindak dengan integriti. Walau bagaimanapun, penipuan laporan kewangan telah menyebabkan orang ramai hilang kepercayaan terhadap akauntan. Ini kerana akauntan telah melanggar tanggungjawab mereka dalam menyediakan maklumat kewangan yang benar kepada orang ramai. Oleh itu, adalah penting untuk meningkatkan etika akauntan terhadap laporan kewangan. Objektif kajian ini adalah untuk mengkaji pengaruh sikap, norma subjektif, persepsi kawalan tingkah laku, dan pertimbangan etika, ke arah niat etika akauntan dalam menyediakan laporan kewangan mereka. Objektif kedua kajian ini adalah untuk menyiasat pengaruh niat beretika terhadap tingkah laku etika akauntan dalam menyediakan laporan kewangan mereka. Objektif ketiga ialah untuk menentukan sama ada niat etika berhubung antara sikap, norma subjektif, persepsi kawalan tingkah laku, penilaian etika dan tingkah laku beretika dalam penyediaan laporan kewangan.

Kajian ini menggunakan “ Theory of Planned Behavior” sebagai teori asas dalam kajian ini. Borang soal selidik telah digunakan untuk mengumpul data daripada sampel 133 akauntan di Malaysia, yang menunjukkan 53% daripada kadar tindak balas. Hasil dapatan kajian ini telah menunjukkan bahawa terdapat hubungan yang positif antara sikap, persepsi kawalan tingkah laku, penilaian etika, dan niat etika akauntan dalam menyediakan laporan kewangan mereka. Walau bagaimanapun, pengaruh langsung atau norma subjektif tidak disokong. Niat etika positif mempengaruhi tingkah laku etika akauntan. Niat etika menjadi pengantara sepenuhnya hubungan antara sikap dan persepsi kawalan tingkah laku. Selain itu, niat etika sebahagiannya menjadi pengantara

dari penilaian beretika dan tidak menjadi pengantara norma subjektif. Hasil kajian ini menyumbang untuk meningkatkan etika akauntan dalam menyediakan laporan kewangan. Hasil kajian membentangkan implikasi praktikal untuk badan perakaunan dan Kementerian Pelajaran untuk meningkatkan etika akauntan dengan mengetik faktor ke dalam program-program latihan dan pendidikan. Kajian ini juga turut menyumbang kepada bidang pengetahuan mengenai faktor-faktor yang mempengaruhi niat pembuatan keputusan etika dalam laporan kewangan dan juga di dalam bidang etika perniagaan.

Kata Kunci: *Sikap; Norma subjektif; Persepsi kawalan tingkah laku; Penilaian etika; Niat etika*



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I certify that a Thesis Examination Committee has met on 17 May 2016 to conduct the final examination of Subashini a/p Jayatkomarunn on her thesis entitled “Factors Influencing Ethics of Accountants in Financial Reporting” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
CFO	Chief Financial Officer
CIMA	Chartered Institute of Management Accountants
CMD	Cognitive Moral Development
CPA	Chartered Public Accountants
IFAC	International Federation of Accountants
IT	Information Technology
MES	Multidimensional Ethics Scale
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants
MRA	Multiple Regression Analysis
MSWG	Minority Shareholder Watchdog Group
PBC	Perceived Behavioral Control
SC	Securities Commission
SOA	Sarbanes Oxley Acts
TPB	Theory of Planned Behavior
TPC	Theory of Propositional Control
TRA	Theory of Reasoned Action
VIF	Variance Inflation Factor

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Ethics is the foundation of the accounting profession (Nazatul et al., 2015). Ethics is an important element in accounting because accountants need to make right decisions (Lee, 2011) as the public trusts the profession. However, recently the attention on ethics has increased and it has been more emphasized in the accountancy due to higher accounting fraud (Lee, 2011; Kang, 2013; Nazatul et al., 2013). The accounting fraud of financial reporting fraud is increasing in Malaysia (Gomes, 2010) and professionals expect that this fraud will continue in the future (Hasnah and Mahanum, 2010).

As stated by PricewaterhouseCoopers' 2014 survey, the third highest type of economic crime in Malaysia is financial reporting fraud, which constitutes 23% (PWC's Global, 2014). Even though financial reporting fraud comprises only 23% of fraud, it is conceived as the most costly type of fraud (Hasnah and Mahanum, 2010). In 2014, Securities Commission (SC) Malaysia claimed that a majority of 40% of ongoing cases in Malaysia were reported on violation of financial misstatement (Annual report, 2014). SC have fined and imprisoned accountants from Mems Technology Berhad, Kosmo Technology Industrial Berhad and Inix Technologies Holdings Berhad for committing the fraud (Former directors, 2010; Securities commission, 2011; Former CEO, 2015). Minority Shareholder Watchdog Group (MSWG) Malaysia urged the regulators to take action and to prevent fraud (Abdullah, 2007). This is because the accountant's ethical failure will lead to several consequences in the future. For instance, it affects the country's growth, weakens the integrity of financial reporting process, jeopardies the integrity of accountants (Rezaee, 2002), will encourage future generation to involve in the fraud and view the fraud as an acceptable behavior (Maisarah, 2010).

According to International Federation of Accountants (IFAC), the reasons for accountant's ethical failure are due to inappropriate professional judgment, lack of ethical awareness, lack of peer support and professional body support (Leung et al., 2006; Jackling et al., 2007). Other reasons are the pressure from top management to meet financial performance target; own financial pressure (Lee, 2011; Nazatul et al., 2013); having an incentive and perceiving an opportunity (Zuraidah et al., 2011) and lack of ethical judgment (Making ethics and integrity, 2010; Shawver and Shawver, 2013). Initially, in order to improve an accountant's ethical conduct, the Malaysian Institute of Accountants (MIA), the statutory body, has established and revised the code of ethics consistent with the global standard to enhance the moral values of accounting professionals (Maisarah et al., 2010). The code of ethics guides the professionals towards ethical behavior and helps in the decision-making process (Lee, 2011). However, greed causes the accountants to be flexible with the standards (Lee, 2011).

In addition, accounting statutory body in Malaysia took initiatives to arrange forums to increase ethical conducts among accountants. In 2014, a forum on ethical challenges, ethical behavior, and updates on ethical standards were arranged to prevent ethical failure among accounting professionals (Nazatul, 2014). In 2015, a seminar was conducted to motivate ethical behavior among accountants (Nazatul et al., 2015). Moreover, Association of Chartered Certified Accountants (ACCA), the accounting professional body in Malaysia, has enhanced their professional courses syllabus on ethics to ensure accounting professionals have knowledge on ethical issues (Update, 2013). Accountants play a significant role in the development of every economy as a financial backbone of an organization (Najib, 2014). MIA President in a forum urged accountants to maintain high professional standards and ethical values in preparing financial reports (Gomes, 2009). Thus, inculcating good ethics among accountants will gain public confidence and bring respect to the profession (Wong, 2014).

1.2 Problem Statement

Financial reporting fraud is confronted by recent companies such as Diamond Food in USA, Olympus in Japan and ERA Mining Machinery in China have alarmed the countries (Henning, 2012; Areddy, 2013; Hiroko, 2013). Malaysia is also not excluded from such calamity. Companies such as Silver Bird and SJ Asset Management Sdn Bhd were involved in financial reporting fraud (Choong, 2012; Fintan, 2012). Accountants immoral practices in financial reporting were keep increasing in Malaysia (Abu Bakar et al., 2010; Umaru, 2016). The financial reports prepared by accountants lead higher financial reporting fraud in Malaysia (Hasnah and Mahanum, 2010; Elinda and Rahman, 2015). The accounting frauds have proven that accountants have failed to act ethically when preparing financial report (O'Leary and Safi, 2008; Sadler and Barac, 2005). The ethical issues in accounting are growing and it remains as an unresolved problem (Yang and Wu, 2009; Arfah and Aziuddin, 2012). The reasons for accountants behaving unethically are due to selfishness, financial gain, concerned to achieve targeted profits, unethical intentions, and pressure from top management (Jenning, 2004; Kaplan, 2001; 2007). Therefore, it is important to increase the ethics of accountants because only good practice of ethics improves professional values, standards (Eginiwin and Dike, 2014) and prevents the unethical practices in accounting (Ofurum and Ogbonna, 2008).

The ethical indecencies by accountants can be harmful to society, which may result lead huge financial losses to companies (Bea and Braender, 2014), causes loss of reputation on company (Karpoff et al., 2008); damages the trust of shareholders and stakeholders (Teck and Azham, 2008); causes the stock market to crash (Teck et al., 2008); affects the integrity of capital market and regulators (Teck and Azham, 2008; Soltani, 2014) and interruption of efficient capital market operation (Williams and Elson, 2010). If the conduct continues it will leads the investors to lose their confidence in financial report, leads reputational damage, lead company to bankruptcy, and potential fines and criminal actions imposed on the accounting professionals involved in the fraud (Ernst and Young, 2009). Prime Minister of Malaysia while delivering speech at the World Congress of Accountants 2010 expressed his concern on ethical issues in accounting that has created a negative image on accounting profession (Najib,

2010). The Prime Minister emphasized that the ethical failure in financial reporting is caused by unethical accountants, who are upholding financial self-interest rather than moral values when carrying out their responsibilities. The ethics and ethical elements in professional accountants are still lacking (Lee, 2011). A former MIA president in 2001 viewed the main reason for ethical failure in accounting profession is due to human factors (Abdullah, 2007). As a result of ethical failure by accountants, the entire accounting professionals are blamed (Nazatul et al., 2013); leads many to question on the integrity, honesty, morality and ethical judgment of the accountants (Abdullah, 2007; Sweeney and Costello, 2009; Shawver and Shawver, 2013; Yarahmadi, 2015) and has caused the public to lose confidence among accountants (Williams and Elson, 2010; Gupta, 2014; Caliskan et al., 2014). Accountants need to regain back the public's trust (Maisarah et al., 2009) since, the trust in ethics as a foundation of accounting profession is now in danger (Blanthorne et al., 2013). Therefore, it is crucial to determine the factors that allows for the impact of increasing ethical decision-making among accountants (Alleyne et al., 2014; Caliskan et al., 2014).

Earlier studies found that accountants had lower ethical intention towards financial reporting, for instance, accountants are less willing to argue when situations are unethical (Simon, 2001; Elias, 2002); are willing to hide embracing financial facts (Conroy et al., 2010) and willing to view bad debt allowance as acceptable (Cohen et al., 2001). If the accountant's intention is not good, financial reporting may not be true and fair, and only good intention of accountant will lead to solve ethical problems (Dewan et al., 2014). Therefore, it is important to investigate accountants' ethical intention towards financial reporting behavior in Malaysian context.

Furthermore, studies found that accountants have failed to behave ethically (Sorensen et al., 2015); have poor ethical knowledge (Caliskan et al., 2014); fail to make ethical decisions (Flanagan and Clarke, 2007); faced difficulties in making ethical judgment (Banik, 2010) and intend to act with interest of others (Farisha et al., 2012). This is because accountants are having higher pressure from peers and top management (Lord and DeZoort, 2001; Farisha et al., 2012); lower ethical judgment (Conroy et al., 2010); weaker attitude (Emerson et al., 2007); and having opportunities to commit immoral behavior (Mele, 2005; Ilter, 2014; Gupta, 2014). The professional values (Zeff, 2003) and ethical values of honesty and integrity are still lacking in among accountants (Jennings, 2004; Parker, 2005). Only favorable attitude, subjective norm, perceived behavioral control and ethical judgment will influence individual's ethical decision making (Gibson and Frakes, 1997 and Alleyne et al., 2014). Therefore, it is still debatable how these factors will affect the ethical intention of accountants on financial reporting studies in the Malaysian context.

1.3 Research Objectives

The research objectives are:

1. To examine the influence of attitude, subjective norm, perceived behavioral control and ethical judgment towards ethical intention of accountants in their financial reporting.
2. To investigate the influence of ethical intention towards ethical behavior of accountants in their financial reporting.
3. To determine whether ethical intention mediate the relationship between attitude, subjective norm, perceived behavioral control, ethical judgment, and ethical behavior in financial reporting.

1.4 Research Questions

The research questions are:

1. How do attitude, subjective norm, perceived behavioral control, and ethical judgment influence the ethical intention of accountants in their financial reporting?
2. How does ethical intention will influence the ethical behavior of accountants in their financial reporting?
3. Does ethical intention mediate the relationship between attitude, subjective norm, perceived behavioral control, ethical judgment, and ethical behavior in financial reporting?

1.5 Significance of the Study

This research is important for a few reasons. Firstly, investigating the factors increases an accountant's ethical intention may help to reduce the occurrences of future ethical failures, thereby regaining the public confidence in the accounting profession. The knowledge of factors would be helpful in increasing ethical standing and, to ensure accountants are capable of making good ethical decisions. Secondly, the result of this research may help regulators by suggesting the factors increases accountants' ethical decision-making. Base on the findings regulators would able to develop well-structured ethics courses in order to maximize the ethical decision making of the accountants towards financial reporting. Accountant's play important role in development of Malaysian economy, preparing them to act ethically could help to reduce the recurrences of accounting ethical failures. Thirdly, the findings on factors increases accountant's ethical intention would be helpful for accounting regulators to develop ethics training programs, conferences, forums and to inculcate those factors into accountants. This is important to improve the integrity of the accounting profession that comes under scrutiny after a number of accounting scandals. Besides, it is important to increase accountant's ethical decision making to regain public trust in the integrity of the financial reporting issued by accountants.

1.6 Motivations of the Study

An accountant's ethical behavior is an important characteristic in accounting and financial systems of businesses today (Alleyne et al., 2014). Ahmad and Afsaneh (2011) pointed out that ethical issues in accounting have become an important topic in accounting studies. The ethical issue in accounting places the key players in corporate governance especially the accountants under the microscope (Abdullah, 2007). Alleyne et al. (2014) argued that the topic of ethics could help accountants in overcoming ethical issues within their profession. The current research is therefore timely to examine factors that influence ethical intention and ethical intention towards financial reporting behavior from an accountant's perspective. Besides that, Kaplan et al. (2009) pointed that understanding individual's financial reporting intention on detection of fraud is an important topic. However, there seems to be a lack of literature on the ethical intention of an accountant towards financial reporting in the Malaysian context.

1.7 Contributions of the Study

Even though the ethical issues on financial reporting dominate the headlines of the world, most prior studies on financial reporting are based on United States, United Kingdom, and European settings. There are many studies that examined the unethical intention towards financial reporting fraud, for instance Carpenter and Reimers, (2005); Gillett and Uddin, (2005) and Ugrin and Odom, (2010). In contrast, very few studies were conducted on ethical intention towards financial reporting. In Malaysia according to researcher knowledge, only one study has been conducted on financial reporting intention, which is by Chadegani et al. (2015). Therefore, it is hoped that the findings of the study will contribute to the body of knowledge on business ethics in Malaysian context.

Most studies related to intention on financial reporting utilized the TPB as the fundamental theory (Carpenter and Reimers, 2005; Noor Hayati et al., 2011; Chadegani et al., 2015). This research highlights the ways to increase an accountant's ethical intention on financial reporting by looking at human and social factors from the perspective of the TPB. The present research will contribute TPB by adding in an additional variable of ethical judgment into the framework. This is because ethical judgment is known as an important determinant of individual's intention to take a specific alternative to solve ethical issues (Hunt and Vitell, 1986). Besides, ethical judgment is an important component that can increase individuals ethical decision-making (Singhapakdi et al., 2013). Therefore, the additional component of ethical judgment will contribute to ethics literature and TPB theory. This research also contributes theoretical support on the mediating relationship.

In terms of managerial contribution, this research will provide insights to Ministry of Education and accounting regulators such as statutory body and accounting professional bodies. The current research will contribute by providing valuable information on accountant's ethical intention towards financial reporting together with

the factors that increases accountant's ethical decision-making. This information will assist the statutory body and accounting professional bodies, to take initiatives in enhancing accountant's ethical decision-making. This information is expected to be helpful in producing ethical accountants in Malaysia.

The outcome of this research would be worthwhile for statutory body in tapping and nurturing these elements into their workshops, forums, training programs, and conferences. For accounting professional bodies, the result of this research would be helpful in tapping and nurturing these factors into their training programs and ethics professional courses syllabus. Additionally, this information would be useful to Ministry of Education in tapping these elements into ethics courses of accounting curriculums in order to shape and produce ethical accountants in the future. Through training and education programs, accountants would able to promote integrity in preparing financial report and regain public trust on them.

Besides, by increasing accountants ethics towards financial report would able to reduce ethical failure in accounting practices. Accountants able to produce true and relevant financial information that useful to investors and stakeholders to make economic decisions. The outcome on accountants' ethical intention towards financial reporting would able to regain public confidence on accountants. This research is important as it helps to inform the policy makers about the accountant's ethics on financial reporting. Policy makers such as the Malaysian Institute of Accountants (MIA) would able to strengthen their existing code of ethics in order to ensure accountants are ethical in preparing financial reports. Finally, in terms government this research would be helpful to produce ethical accountants, increase transparent financial reporting, increase economic growth, and to reduce unethical practices in Malaysian businesses. Thus, inculcating good ethical behavior and elements may strike a positive chord on accountants and could lead accountants to act ethically and view financial reporting fraud as less favorable. Therefore, one method to prevent ethical issues in accounting and to enhance transparent financial reporting might be through improving an accountant's ethics.

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APPENDIX A

List on number of accountants from public listed companies, public sector departments and private sector companies.

NO	PUBLIC LISTED COMPANIES TRADING AND SERVICES	NUMBER OF ACCOUNTANTS
1.	AIRASIA X BERHAD	1
2.	AEON CO. (M) BHD	1
3.	AHB HOLDINGS BHD	1
4.	ADVANCE INFORMATION MARKETING	2
5.	AIRASIA BHD	1
6.	MALAYSIA AIRPORT HOLDINGS BHD	1
7.	ALAM MARITIM RESOURCES BHD	1
8.	BUMI ARMADA BERHAD	1
9.	ADVANCE SYNERGY BHD	2
10.	BHS INDUSTRIES BHD	1
11.	BERJAYA AUTO BERHAD	1
12.	BERJAYA CORPORATION BHD	1
13.	CARING PHARMACY GROUP BERHAD	1
14.	HAI-O ENTERPRISE BHD	1
15.	INTEGRAX BHD	1
16.	IPMUDA BHD	1
17.	MAXIS BERHAD	1
18.	MMC CORPORATION BHD	1
19.	PETRA ENERGY BHD	1
20.	PETRONAS DAGANGAN BHD	1
21.	PETERLABS HOLDINGS BHD	1
22.	PRESTARIANG BERHAD	1
23.	SAPURAKENCANA PETROLEUM BERHAD	1
24.	SCICOM (MSC) BHD	2
25.	SCOMI ENERGY SERVICES BHD	1
26.	SEG INTERNATIONAL BHD	1
27.	7-ELEVEN MALAYSIA HOLDINGS BERHAD	2
28.	TELEKOM MALAYSIA BERHAD	1
29.	SIME DARBY BHD	2
30.	TENAGA NASIONAL BHD	2
TOTAL		36
PUBLIC LISTED COMPANIES CONSUMER PRODUCTS		
31.	ASIA BRANDS BERHAD	1
32.	BRITISH AMERICAN TOBACCO (M)	1
33.	CARLSBERG BREWERY MALAYSIA BHD	1
34.	CYCLE & CARRIAGE BINTANG BHD	1
35.	EKOWOOD INTERNATIONAL BHD	1
36.	NESTLE (M) BHD	1
TOTAL		6

PUBLIC LISTED COMPANIES		
FINANCE		
37.	OSK HOLDINGS BHD	1
38.	ALLIANCE FINANCIAL GROUP BHD	1
39.	AFFIN HOLDINGS BHD	1
40.	CIMB GROUP HOLDINGS BERHAD	1
41.	HONG LEONG FINANCIAL GROUP BHD	1
42.	MALAYAN BANKING BHD	1
43.	PUBLIC BANK BHD	1
44.	RHB CAPITAL BHD	1
TOTAL		8
PUBLIC LISTED COMPANIES		
CONSTRUCTION		
45.	GAMUDA BHD	1
46.	IJM CORPORATION BHD	1
47.	IREKA CORPORATION BHD	1
48.	KUMPULAN JETSON BHD	1
49.	MALAYSIAN RESOURCES CORP	1
50.	MUDAJAYA GROUP BHD	1
51.	PROTASCO BHD	3
TOTAL		9
PUBLIC LISTED COMPANIES		
PLANTATION		
52.	IJM PLANTATIONS BHD	1
53.	IOI CORPORATION BHD	1
54.	KUALA LUMPUR KEPONG BHD	1
55.	TH PLANTATIONS BHD	1
56.	TSH RESOURCES BHD	1
57.	UNITED PLANTATIONS BHD	1
58.	UNITED MALACCA BHD	1
TOTAL		7
PUBLIC LISTED COMPANIES		
PROPERTIES		
59.	AMCORP PROPERTIES BERHAD	1
60.	BINA DARULAMAN BHD	1
61.	BERJAYA ASSETS BERHAD	1
62.	COUNTRY HEIGHTS HOLDINGS BHD	1
63.	SAPURA RESOURCES BHD	1
64.	SELANGOR PROPERTIES BHD	1
65.	SUNWAY BERHAD	1
66.	YTL LAND & DEVELOPMENT BHD	1
TOTAL		8
PUBLIC LISTED COMPANIES		
TECHNOLOGY		
67.	AMTEL HOLDINGS BHD BHD	1
68.	CONNECTCOUNTY HOLDINGS BHD	1
69.	CYBERTOWERS BHD	1

70.	DIGISTAR CORPORATION BHD	1
71.	EDUSPEC HOLDINGS BERHAD	1
72.	IDEAL SUN CITY HOLDINGS BERHAD	1
TOTAL		6
GRAND TOTAL		80
PUBLIC SECTOR DEPARTMENTS		
73.	ACCOUNTANT GENERAL'S DEPARTMENT	20
74.	FEDERAL TERRITORIES DEPARTMENT	12
75.	SOCISO	10
76.	TRANSPORTATION MINISTRY DEPARTMENT	2
77.	EDUCATION DEPARTMENT	10
78.	INTERNATIONAL TRADE AND INDUSTRY DEPARTMENT	5
79.	HEALTH MINISTRY DEPARMENT	4
80.	DOMESTIC TRADE DEPARTMENT	4
81.	FOREIGN AFFAIRS DEPARTMENT	4
82.	TOURISM AND CULTURE DEPARTMENT	5
83.	ENERGY, WATER AND COMMUNICATIONS DEPARTMENT	4
TOTAL		80
PRIVATE SECTOR COMPANIES		
84.	COSWAY (M) SDN BHD	2
85.	BIJAK AKTIF SDN BHD	1
86.	HASIL CONSTRUCTION SDN BHD	2
87.	JET POSITION SDN BHD	2
88.	SONY SDN BHD	2
89.	ROYAKA (M) SDN BHD	3
90.	ERAY(M) SDN BHD	2
91.	AQUATIC INTERNATIONAL SDN BHD	2
92.	CARRIER TIME SDN BHD	1
93.	AIA SDN BHD	2
94.	HITACHI ELECTRONIC PRODUCTS (M) SDN BHD	2
95.	PRUDENTIAL SDN BHD	2
96.	TECK SEE PLASTIC SDN BHD	1
97.	CMA CGM MALAYSIA SDN BHD	1
98.	IMPIANA KLCC SDN BHD	2
99.	LA CORPORATION SDN BHD	2
100.	PINHILL PLANTATIONS (M) SDN BHD	3
101.	KAE COMMUNICATION SDN BHD	2
102.	DF ELECTRONIC SDN BHD	1
103.	SELANGOR TURF CLUB	3
104.	HEWLETT-PACKARD SDN BHD	2
105.	IKRAM EDUCATION SDN BHD	3
106.	SETIA SEPAKAT SDN BHD	2
107.	NICHICON (M) SDN BHD	1

108.	CCM PHARMACEUTICALS SDN BHD	2
109.	NICOM STEEL CENTRE (M) SDN BHD	1
110.	ADVANCED PACKAGING TECHNOLOGY (M) BHD	2
111.	HERITAGE FORTE SDN. BHD	1
112.	HOTEL EQUATORIAL MANAGEMENT SDN. BHD.	2
113.	DENSO (MALAYSIA) SDN. BHD	2
114.	SENDILIM SDN BHD	2
115.	ERLA TECHNOLOGY SDN BHD	1
116.	NAZA CORPORATION HOLDINGS SDN BHD	2
117.	O.Y.L. MANUFACTURING COMPANY SDN BHD	1
118.	GINXIN SDN BHD	1
119.	THIEN HONG MACHINERY (M) SDN BHD	1
120.	CONLAY CONSTRUCTION SDN BHD	1
121.	MEGA LOGISTIC HOLDINGS (M) SDN BHD	2
122.	INTERASIA LINES (M) SDN BHD	2
123.	ECONSAVE CASH & CARRY SDN BHD	2
124.	YONG FONG RUBBER INDUSTRIES SDN BHD	2
125.	HITCHINS (M) SDN BHD	2
126.	TAIAN-JAYA ELECTRIC SDN BHD	2
127.	NIELSEN AUDIENCE MEASUREMENT (M) SDN BHD	2
128.	ELECTROLEX HOME APPLIANCES SDN BHD	2
129.	OCEANCASH PACIFIC SDN BHD	2
130.	OTHA PRECISION (M) SDN BHD	2
131.	CONINDMAC SDN BHD	1
132.	OAG ENGINEERING SDN BHD	2
133.	SHANGRI-LA HOTEL (M) SDN BHD	2
TOTAL		90
Source: Bursa Malaysia website (KLSE) and Departments website (http://www.malaysiastock.biz/Listed-Companies.aspx?type=C&value=TRAD-SERV ; www.anm.gov.my/ ; http://www.kwp.gov.my/ ; http://www.treasury.gov.my)		

COMPANIES/DEPARTMENT	NUMBER OF ACCOUNTANTS
Public listed companies	80
Public sector department	80
Private sector companies	90
TOTAL	250

APPENDIX B

Questionnaire



QUESTIONNAIRE

Title: Factors influencing accountant's ethical intention on financial reporting

Dear Respondents,

I am conducting a survey to provide empirical evidence relating to the ethical intention of the accountants by investigating the factors that influence the ethical intention as well the ethical intention towards financial reporting behavior. It is hoped that the outcome of this survey will be helpful to discover the ethical standing of accountants in Malaysia. This research also aims to identify the factors that increase the ethical intention in order to reduce the financial reporting fraud among the accountants in the future.

Your response will assist me in ensuring my research results are representative and meaningful. We assure you that all the responses will be treated as confidential and individual responses will not be identified. The data will be summarized and only the summarized data, with no identifying features, will be reported in the thesis and any subsequent publications.

I hope this research will be of interest to you, and to the wider academic and professional community. I would be please to answer any questions you have about the survey, by email shuba_gemini89@hotmail.com.

Your participation is greatly appreciated. Thank you.

Yours sincerely,

Subashini a/p Jayatkomarunn

MSc candidate

Putra Business School

Universiti Putra Malaysia

This questionnaire consists of 6 pages (including the cover page) and divided into four sections (Section A, B, C and D). Kindly answer **ALL** questions.

Section A: Demographic Profile

Please tick (✓) the relevant information related to your personal profile.

1. **Gender:** 1) Male 2) Female

2. **Age:** 1) 24 – 30 2) 31 – 39 3) 40 & above
- 3.
4. **Race:** 1) Malay 2) Chinese 3) Indian
4) Others (Please specify) _____
5. **Currently, I am working at:**
 - 1) Public Listed Company: (Please state: _____)
 - 2) Public Sector Department: Ministry/Agency etc.
(Please state: _____)
 - 3) Private Sector Company: (Please state: _____)
6. **Your current position in the company or department:**
 - 1) Assistant accountant 2) Accountant 3) Senior accountant
 - 4) Chief financial officer
6. **Your responsibility in the company or department:**
 - 1) Involved in preparing the financial report of company/ministry
 - 2) Others related works (Please specify) _____
7. **Your overall years of working experience in accounting:**
 - 1) <1 year 2) 1 – 2 years 3) 3-4 years
 - 4) More than 4 years
8. **Your highest level of education:**
 - 1) Diploma 2) Bachelor Degree 3) Master Degree 4) PHD
 - 5) Professional Qualification (e.g. ACCA/CIMA/MICPA)
(Please State) _____
9. **Are you a member of Malaysian Institute of Accountant (MIA)?**
 - 1) Yes, I am a MIA member 2) No, I am not MIA member

Section B: Factors That Influence the Ethical Intention towards Financial Reporting

In this section, as an accountant please indicate your belief about financial reporting. Please **CIRCLE** the appropriate answer according to the scales given for each questions below:

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

ATTITUDE

1. I believe the behavior to act ethically when preparing financial report is pleasant.	1	2	3	4	5	6	7
2. I am always truthful in preparing organization's financial report.	1	2	3	4	5	6	7
3. I would never cheat on accounting supporting documents (e.g., invoices and receipts) that used to prepare financial report.	1	2	3	4	5	6	7
4. I believe that deferring the recognition of organization's expenses into following year is foolish.	1	2	3	4	5	6	7
5. I believe that manipulating accounting transactions to achieve positive earnings could be beneficial to organization.	1	2	3	4	5	6	7
6. I believe delaying the recording of supplies expenses could be harmful to my reputation.	1	2	3	4	5	6	7

In this section, as an accountant please indicate how you feel about doing what peers (colleagues and superior) think you should do. Please **CIRCLE** the appropriate answer according to the scales given for each questions below:

1	2	3	4	5	6	7
Extremely False	False	Somewhat False	Neutral	Somewhat True	True	Extremely True

SUBJECTIVE NORM

7. The colleagues who are important to me think that I should not manipulate the organization's sales value.	1	2	3	4	5	6	7
8. The superior who are important to me will look down on me if I falsify accounting supporting documents (e.g. invoices and receipts).	1	2	3	4	5	6	7
9. I would defer the recognition of organization's expenses into following year, if my colleagues would do the same.	1	2	3	4	5	6	7
10. My superior would think that I should report actual asset value of the organization.	1	2	3	4	5	6	7

11. Most of my colleagues who are important to me expect me to act ethically in preparing financial report.	1 2 3 4 5 6 7														
12. Most colleagues whose opinion I value, would approve of my behavior to prepare true and fair view financial report.	1 2 3 4 5 6 7														
In this section, as an accountant please indicate how much control you feel you have over financial reporting. Please CIRCLE the appropriate answer according to the scales given for each questions below:															
<table border="1" style="width: 100%; text-align: center;"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Strongly Disagree</td> <td>Disagree</td> <td>Somewhat Disagree</td> <td>Neutral</td> <td>Somewhat Agree</td> <td>Agree</td> <td>Strongly Agree</td> </tr> </table>		1	2	3	4	5	6	7	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1	2	3	4	5	6	7									
Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree									
PERCEIVED BEHAVIORAL CONTROL															
13. For me, to act ethically by reporting true and fair view financial report is always possible if I want.	1 2 3 4 5 6 7														
14. If I wanted to, I could easily disclose the actual sales value in financial report.	1 2 3 4 5 6 7														
15. For me, falsifying accounting supporting documentations (eg. invoices and receipts) that used to prepare financial report is difficult.	1 2 3 4 5 6 7														
16. I have complete control of making decision to defer the recognition of organization's expenses into following year.	1 2 3 4 5 6 7														
17. Even if I had a pressing need to manipulate the organization's account, I will not bring myself to do this.	1 2 3 4 5 6 7														
18. If I wanted to, I could easily prepare financial report in accordance to accounting standards.	1 2 3 4 5 6 7														
In this section, as an accountant please indicate your moral belief on what is right and wrong over financial reporting. Please CIRCLE the appropriate answer according to the scales given for each questions below:															
<table border="1" style="width: 100%; text-align: center;"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Strongly Disagree</td> <td>Disagree</td> <td>Somewhat Disagree</td> <td>Neutral</td> <td>Somewhat Agree</td> <td>Agree</td> <td>Strongly Agree</td> </tr> </table>		1	2	3	4	5	6	7	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1	2	3	4	5	6	7									
Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree									
ETHICAL JUDGMENT															
19. I believe that disclosing only one-half of gross revenue for income tax purpose is ethically right.	1 2 3 4 5 6 7														
20. I believe that selecting a legal method of financial reporting which would hide embarrassing financial facts is ethically wrong.	1 2 3 4 5 6 7														
21. I believe reclassifying some long-term marketable securities, as short-term asset is ethically right.	1 2 3 4 5 6 7														

22. I believe making necessary adjustments to organization's account, in order for a bank loan to be approved is ethically right.	1	2	3	4	5	6	7
23. I believe lowering the organization's account by misstating the organization's expenses is ethically wrong.	1	2	3	4	5	6	7
24. I believe increasing organization's income by recognizing revenue before it was earned is ethically wrong.	1	2	3	4	5	6	7

Section C: The Ethical Intention towards Financial Reporting Behavior

In this section, as an accountant please indicate how you think you would feel when preparing financial reporting. Please **CIRCLE** the appropriate answer according to the scales given for each questions below:

1	2	3	4	5	6	7
Extremely Unlikely	Unlikely	Somewhat Unlikely	Neutral	Somewhat Likely	Likely	Extremely Likely

ETHICAL INTENTION

25. I will try to act ethically by disclosing organization's income by recognizing revenue after it was earned.	1	2	3	4	5	6	7
26. I would feel guilty if I violate accounting principles when preparing financial report.	1	2	3	4	5	6	7
27. I may reduce the estimate for bad debts in order to increase reported income.	1	2	3	4	5	6	7
28. I would never reclassify long-term asset, as short-term asset in financial report.	1	2	3	4	5	6	7
29. If I had the opportunity, I would increase the organizations net income by adjusting ending inventory figures.	1	2	3	4	5	6	7
30. I intend to act ethically by not misstating the organization's expenses in the future.	1	2	3	4	5	6	7

In this section, as an accountant please indicate about your behavior towards financial reporting. Please **CIRCLE** the appropriate answer according to the scales given for each questions below:

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

ETHICAL BEHAVIOR							
31. I am having responsibility to record the actual fixed asset acquisition in financial reporting.	1	2	3	4	5	6	7
32. It is my duty to protect public interest by preparing true and fair view financial reporting.	1	2	3	4	5	6	7
33. I always disclose true information about contingent liability in financial report even though it may cause negative market reaction.	1	2	3	4	5	6	7
34. I always cannot compromise my beliefs to prebilling next quarter's deliveries to increase current quarter's revenue even if my manager wants me to do it.	1	2	3	4	5	6	7
35. I always follow the accounting standard when preparing financial report rather than applying own judgment.	1	2	3	4	5	6	7
36. The behavior of falsifying financial report to decrease organization's debt ratios is against my principle.	1	2	3	4	5	6	7

Section D: Ethics and Financial Reporting

Please read all the questions carefully and write your answers in blank space provided under each question.

1. Did you experience any unethical behavior relating to financial reporting in your organization/department?

1. Yes 2. No

2. If YES, please explain how will you overcome the situation?

3. What would motivate you to act ethically?

End of Questionnaire

THANK YOU VERY MUCH FOR YOUR VALUABLE TIME

BIODATA OF STUDENT

The student of this research is Subashini A/P Jayatkomarunn, a graduate from Kuala Lumpur Infrastructure Kuala Lumpur (KLIUC), with a degree in Bachelor of Accountancy (Hons). She is currently pursuing Master of Science in Putra Business School, UPM Serdang. She worked as an audit assistant in T. Ramesh & Partners and currently working as a freelance accountant.





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