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**Towards the development of an integrated ethical decision-
making framework for Sri Lankan accountants:
A developing country context**

A thesis
submitted in fulfilment
of the requirements for the degree
of
Doctor of Philosophy in Accounting
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By

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Abstract

The rash of corporate collapses, fraud, and corrupt activities seen all around the world in recent years has not only provoked criticism of accountants, but also prompted researchers world-wide to increasingly turn their attention to the ethical decision-making process. Sri Lanka, the focus of this thesis, has a unique culture; on the one hand, it flourishes within Buddhism, while, on the other, it is one of the world's most corrupt nations. Given that setting, the overarching research objective guiding this study is to develop an integrated ethical decision-making framework for the accounting profession in Sri Lanka, a developing country.

Drawing from Rest's (1986) four-component model, the study attempts to understand the ethical decision-making process of Sri Lankan accountants. A number of other extant models/frameworks and ethical philosophies were used as theoretical lenses in conjunction with Rest's model to interpret the findings.

The study took a mixed methods approach to create a research framework. Written and video vignettes developed specifically for the study, data collected through 40 semistructured interviews, and a questionnaire survey completed by 315 accountants formed the foundation of this framework. In the process of developing an integrated ethical decision-making framework for Sri Lankan accountants, the study achieved three subobjectives and addressed seven research questions.

The study's first research subobjective is achieved by exploring the nature of ethics and the ethical decision-making of Sri Lankan accountants. While the accountants who participated in this study have different opinions about ethics and ethical decision-making, the majority agree on three key points: ethics is a complex topic; it plays a crucial role in their decision-making; and, the accountant's role is challenging, given the corrupt environment in Sri Lanka.

The aim of the second research subobjective is to examine the association between ethical philosophies and the decisions of Sri Lankan accountants. The rationales accountants offered for the decisions they made were interpreted using a number of

ethical philosophies which were included in the study's framework of analysis. The finding that Sri Lankan accountants' decision-making centres primarily, not only on various rules, rights, justice, and deontological principles, but also on religious ethics, represents a unique finding.

The third research subobjective is accomplished by contributing to the literature on the impact individual, organisational, professional, and moral intensity factors exert on the ethical decision-making of Sri Lankan accountants. As have prior studies, this study also finds that the role of these factors is mixed and inconclusive in the context of Sri Lanka, a developing country.

This thesis' overarching research objective of developing an integrated ethical decision-making framework for the Sri Lankan accounting profession is achieved in three ways: through the framework of analysis; the ethical decision-making checklist; and, the recommendations that accompany the framework of analysis.

This study makes both methodological and theoretical contributions. At a methodological level, the study developed customised vignettes in written and video form to stimulate the participants' responses to the issue of ethical decision-making. In addition, the incorporation of video vignettes into the interview process marks one of the study's distinctive and innovative contributions to methodological knowledge. At the theoretical level, the findings contribute to the literature by offering an integrated ethical decision-making framework for Sri Lankan accountants. In making that contribution, this thesis argues that ethical decision-making constitutes a "wicked problem" in Sri Lanka, a context in which corruption is pervasive.

Dedication

In loving memory of my dear father:

Sirisena Liyanapathirana

who left me just three weeks after this project began and is not here to see the completion of this thesis, but whose spirit will always be with me. Your confidence, hopes, words, patience, and love have provided sustenance and strength in moments of sadness and heaviness, and also inspiring moments.

This is for you.

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List of Abbreviations

AAA	American Accounting Association
AAT	Association of Accounting Technicians of Sri Lanka
ACA	Anti-Corruption Agency
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
ASPIRES	Assessment of Spirituality and Religious Sentiments
CASL	Institute of Chartered Accountants of Sri Lanka
CEB	Ceylon Electricity Board
CGMA	Chartered Global Management Accountant
CIABOC	Commission to Investigate Allegations of Bribery or Corruption
CIFL	Central Investment Finance Limited
CIMA	Chartered Institute of Management Accountants
CMASL	Institute of Certified Management Accountants of Sri Lanka
CMD	Cognitive Moral Development
CPI	Corruption Perceptions Index
CSE	Colombo Stock Exchange
DIT	Defining Issues Test
GAP	Government Accountability Report
GCE	General Certificate in Education
GKCC	Golden Key Credit Card Company
HDI	Human Development Index
I-EDM	Integrated Ethical Decision-Making
IAS	International Accounting Standards
ICAEW	Institute of Chartered Accountants in England and Wales
IES	International Education Standards
IESBA	International Ethics Standard Board for Accountants
IFAC	The International Federation of Accountants
ISAs	International Standards of Auditing
LTTE	Liberation of Tigers of Tamil Eelam
PLS-SEM	Partial Least Square-Structural Equation Modelling
PWC	PricewaterhouseCoopers
RI	Religiosity Index
ROSC	Report on the Observance of Standards and Codes
SLASs	Sri Lanka Accounting Standards
SLAuSs	Sri Lanka Auditing Standards
SLIC	Sri Lanka Insurance Corporation
WB	World Bank

Chapter 1

An Overview of the Research Project

1.0 Introduction

This chapter provides an overview of the research project. The purpose of the study is to develop an integrated framework of ethical decision-making for professional accountants in Sri Lanka. The discussion of corporate collapses, fraud, and corrupt activities in Sri Lanka highlights the consequences of unethical behaviour. Additionally, little research attention has been paid to these issues in the context of Sri Lanka.

This chapter is organised as follows. The chapter commences with a discussion of the background of the thesis' research issue. The research objectives are stated in the second section, along with the project's research questions. The third section discusses the background to the research objectives and questions. In the fourth section, the research methodology and methods used in this study are explained briefly. The fifth section presents the contributions of the study. The organisation of the thesis is then outlined, followed by the chapter summary.

1.1 Background to the Research Issue

Accountants play a key role in business which is complex, volatile, and inherently risky (Fiolleau & Kaplan, 2016). Various ethical issues may arise in this complex environment (Lehnert, Park, & Singh, 2015). When ethical issues arise, accountants should be able to identify and manage these ethical issues effectively (Fiolleau & Kaplan, 2016). Towards that end, accountants are expected to behave in an ethical manner so as not to compromise the integrity of accounting information (Keller, Smith, & Smith, 2007). In addition, professional accountants, as a group, have a primary responsibility to act in the public interest (Fiolleau & Kaplan, 2016). Failure to recognise ethical issues and to act in the public interest threatens the status of professional accountants (Marques & Azevedo-Pereira, 2009).

On a regular basis, the media reports on accountants and auditors who have behaved unethically. There have, for example, been a number of high-profile cases involving the unethical behaviour of accounting professionals not only in the United States of America¹ but also in other developed countries² (Duska, Duska, & Ragatz, 2011; Smith, 2003). According to Low, Davey and Hooper (2008), corporate scandals involving companies such as Enron, WorldCom, Tyco, and Arthur Andersen have not only had a considerable impact on the accounting profession, but also highlighted the importance of accountants acting ethically. Developing countries have also seen a series of corporate scandals, cases of fraud, and corrupt activities (Carnegie & Napier, 2010). Thus, concerns about ethical misconduct in the accounting profession have almost become an epidemic. As a result, the profession itself has raised ethics and ethical decision-making to a high level of importance.

In addition, the move towards globalisation and diversification of accounting services, combined with market competition driven by new technology, has drawn attention to the importance of ethical standards in the accounting profession (Armstrong, Ketz, & Owsen, 2003; Boyce, 2008; Leung & Cooper, 2005). Although many studies have examined the issue of the ethics of accountants in developed countries, only a few focus on developing countries (Fiolleau & Kaplan, 2016).

This project limits its discussion to the context of one developing country, Sri Lanka, which has not been immune from the focus on ethics. As detailed in chapter 3, Sri Lanka has seen a number of corporate scandals and fraud linked to corruption and the unethical behaviour of professionals including accountants. As a developing country, one of the biggest issues in ethics in Sri Lanka is the high level of corruption. Sri Lanka is one of the most corrupt nations in the world, which makes Sri Lanka a unique setting for research on ethics (see chapters 2 and 3).

¹ WorldCom (non-existent assets), Enron (multiple accounting irregularities), Arthur Anderson (audit firm convicted of obstructing U.S. government's investigation into Enron).

² HIH Insurance in Australia, Parmalat in Italy, Royal Ahold in the Netherlands and Equitable Life Assurance Society in the United Kingdom.

Several of the high-profile corporate scandals that have taken place in Sri Lanka have had a great impact on the Sri Lankan accounting profession (Gunathilaka, 2012). The bankruptcies of Pramuka Savings Bank, Vanik Incorporation, Lanka Marine Services Ltd, Sri Lanka Insurance Corporation and the Golden Key Credit Card Company serve as a few examples. According to Sri Lankan media reports, many of the collapses such as these are the result of both mismanagement and fraud by directors and professionals, including the accountants of those companies (Nanayakkara, 2013). For example, Nanayakkara (2013) highlights “accounting deficiencies, financial reporting deficiencies (window-dressed accounts), and absence of processes for identifying assessing and managing risks, negligence of auditors, ..., [and] misconduct or failures on the part of the management team” (p. 328) as factors that may have contributed to these collapses. Thus, it is apparent that a number of the issues that have arisen in light of corporate collapses in Sri Lanka relate to accounting and auditing.

Given that accounting and auditing deficiencies have been highlighted in such corporate collapses, Gunathilaka (2012) argues that the reputation of the accounting profession in Sri Lanka has been damaged:

One major criticism was that the auditors were unable to detect and report frauds, causing bankruptcy costs [sic]. The fall of Sri Lankan companies including Pramuka Savings Bank, and Golden Key Credit Card Company made a considerable harm to the auditing profession in Sri Lanka. (p. 1)

As a result of these scandals, the accounting profession’s reputation was tarnished and it was felt that the auditors were not independent due to their failure to report accounting irregularities when they were discovered. It is apparent that even though the high-profile company collapses which have taken place in Sri Lanka have raised questions amongst stakeholders in terms of the role of accountants and auditors, no legal action or other punitive sanctions have been taken against auditors (Wickramasinghe, 2015; World Bank, 2004). In particular, Daniel (2015) reports a comment by Dr Wickrema Weerasooria, an insurance Ombudsman and legal academic in Sri Lanka, made in an interview: “Pramuka Bank failed in early 2000s. There was a thought to sue the auditors but nothing happened. We also have the Golden Key debacle but no legal action was taken on auditors” (p. 22).

One of the pieces of legislation governing accountants in public practice in Sri Lanka is the Companies Act (the original 1982 Act was revised in 2007). Daniel (2015) reports that in the interview he had with Dr Wickrema Weerasooria, he criticised the prevailing legislation in Sri Lanka, and the Companies Act in particular:

the Companies Act—the most important area is case-law or judicial decisions affecting auditors. Fortunately, there are no reported Sri Lankan judicial decisions on the subject. This speaks well for the auditing profession. The absence of case-law shows the absence of serious litigation against auditors. There may have been instances where the thought of suing an auditor may have been contemplated but the decision to institute the case may not have been taken because the law is stacked in the auditors' favour. (Daniel, 2015, p. 20)

Thus, in light of these corporate collapses, the role of legislation and regulatory supervision in the Sri Lankan context is questioned. The discussion above also highlights weaknesses in the enforcement of regulations and legislation that governs professional accountants. According to Wickramasinghe, Hopper, and Rathnasiri (2004), such weaknesses may be due to political interference that affects implementation and enforcement of the regulations in Sri Lanka. As a result of political interference, many of the rules and regulations that govern accountants in Sri Lanka are considered to be ineffective. In a context such as this, accountants are unlikely to develop the highest ethical standards, no matter how much effort is made to encourage them to do so.

In an attempt to address ethical issues in the Sri Lankan accounting profession, it should be noted that a range of resources, including reports; guidance, including codes of conduct; and, support helplines, have been developed. Most importantly, Sri Lanka's professional accounting bodies (three local and two international bodies) have taken some measures to combat the problem, including establishing codes of ethics and incorporating ethics modules in professional accounting programmes and in so doing have highlighted the absence of research in accounting ethics in Sri Lanka (see chapter 2 for more detail). For example, the Institute of Chartered Accountants of Sri Lanka (CASL), the dominant body in Sri Lanka, adopted the code of ethics issued by the International Federation of Accountants (IFAC) in 2006.

In 2004, CASL set up an investigation and disciplinary process (World Bank, 2004). The World Bank (WB) report (Wickramasinghe, 2015), however, states that CASL's investigation and disciplinary process is inadequate. One concern is that, although there is now a disciplinary process, no details of the cases are published. Another issue is that the ethics committee handled only a few cases. For example, the WB report states that "During the period May 2012 to April 2013, 14 cases were handled, of which 8 cases were upheld and another 5 are pending. CASL has dismissed only one case during the period" (p. 29). In this sense, the effectiveness of the disciplinary powers and mechanisms of CASL are questionable.

In addition, there is concern that the qualifications required to become an accountant in Sri Lanka are inadequate. According to Yapa (2006), Sri Lankan accounting students rely primarily on professional accounting bodies, rather than on universities, for their qualifications. The majority of the new entrants into the profession hold a high school academic qualification rather than a university degree qualification (see chapter 2). Despite the fact that the IFAC Education Committee recommends that professional ethics should be taught separately at the prequalifying level of the education of future professional accountants (Dellaportas, Leung, Cooper, & Jackling, 2006), students who gain their professional qualification from accounting bodies do not have any prequalifying ethics knowledge.

The level of ethics education in both professional and academic accounting education in Sri Lanka has been further questioned (Srinivasan, 2012; Wickramasinghe, 2015). Although, according to the WB report, ethics is taught in the audit and assurance papers at all levels in the CASL curriculum and CASL has also introduced an online ethics module prior to application for membership (Wickramasinghe, 2015), that report also highlights the point that there is no monitoring mechanism to assess the continuing professional development (CPD) of CASL members, as required by International Education Standard 7 (IES). With regard to the Sri Lankan university accounting curriculum, Srinivasan (2012) indicates that it does not include any courses on ethics as a separate subject; rather, ethics is offered as an elective course in Sri Lankan undergraduate and postgraduate education.

While the Sri Lankan accounting profession has been attempting to address a number of issues in order to maintain its credibility, the rest of the world has responded to the need to raise awareness of the importance of ethics in numerous ways. Internationally, efforts have been made to improve and revise ethical codes of conduct, establish legislation related to good governance, develop codes of best practice, improve accounting standards, adopt company codes of conduct, and establish various laws and regulations (Low, Davey, & Hooper, 2008).

One area under discussion relates to the adequacy and enforcement of codes of ethics. While Pitman and Radtke (2005) argue that conceptually codes of ethics provide guidance on how to make ethical judgements and take ethical actions, Flanagan and Clarke (2007) claim that these codes provide minimum standards of conduct for members of professional accounting bodies. Flanagan and Clarke (2007) further argue that professional accounting bodies are not able to provide rules that lead to “good” decisions. Instead, they focus on the individual making a decision and map the approaches needed by her/him. Hence, existing codes of ethics may go some way to inhibiting, but may not completely prevent, unethical conduct (Flanagan & Clarke, 2007). Thus, while some studies indicate that the codes of ethics issued by accounting bodies form the basis for the ethical decision-making of accountants (Pitman & Radtke, 2005), other studies state that, in practice, the usefulness and effectiveness of these codes is debatable (Caliskan, Akbas, & Esen, 2014; Flanagan & Clarke, 2007; Gaffikin, 2009).

According to Waddock (2005), one of the main issues facing the accounting profession in light of international corporate collapses is the lack of ethics education. As one means of, possibly, addressing the profession’s ethical crisis, accounting educators claim ethics education needs to be incorporated into accounting programmes at both the professional and the academic level (Gaa & Thorne, 2004). Waddock (2005) claims that business schools need to teach accounting students about the depth and essential nature of the connections between business, society, nature, and the world. Waddock also believes that the incorporation of ethics into the curriculum is important, if the profession is to regain public trust and its right to self-regulate.

There is also scope for recognising the role of professional accounting bodies in providing prequalification education on ethics, as well as continuing professional development (Jackling, Cooper, Leung, & Dellaportas, 2007). However, Armstrong et al. (2003) argue that changing ethical behaviour is probably beyond the capabilities of accounting educators. Similarly, Campbell and Zegwaard (2011) argue that although ethics education at the professional level cannot eliminate unethical practice, it can help to improve awareness of proper conduct and the empowerment of individuals to challenge practice, as no two ethical dilemmas are ever precisely the same.

As a result, clear calls have been made for educators to use ethical frameworks and codes as tools of ethics instruction when teaching students majoring in business and accounting (Blanthorne, Kovar, & Fisher, 2007). Stuart and Stuart (2004) claim that a number of ethical decision-making models, including the American Accounting Association (AAA) model, have been used to explain the decision-making process for accounting students in evaluating ethical dilemmas. However, Martinov-Bennie and Mladenovic (2015) argue that, while many refer to the value of decision-making frameworks such as the AAA model, there are very few examples of studies that actually test successful application of such frameworks. Melé (2005) argues that ethical decision-making depends on sensitivity, judgment, motivation, and virtues that are interdependent and should, thus, be incorporated into ethics education. Even though the use of frameworks and codes of ethics provides a valuable basis for ethics education and may help to direct the ethical decision-making process of accountants and auditors, these codes appear to be inadequate (Waples, Antes, Murphy, Connelly, & Mumford, 2009). Therefore, to be effective, integrated ethics education in accounting must support students' ability to recognise dilemmas, to make appropriate judgments, and to act and behave ethically.

With the research focus on how much ethics education is provided, what regulations are in place, and what codes are enforced, ethics is an area that is currently receiving considerable attention. In spite of the many lessons learnt from history, accountants and auditors in Sri Lanka as well as elsewhere continue with their unethical behaviour. For example, Zeni and Griffith (2016) argue, "continued inquiry into the area of business ethics may foster continued improvement of ethical business

practices” (p. 325). In particular, Gaffikin (2009) argues that one of the major issues of the accounting profession is “the need for more ethical behaviour” (p. 177). This assertion highlights the importance of developing an ethical decision-making framework to guide accountants. Given that the decisions of accountants should reinforce good governance and ethical practices, develop and promote an ethical culture, develop trust and transparency, improve the credibility and value of decision-making, and serve the public with trust, there is a clear and pressing need for such as framework.

1.2 Research Objectives and Questions

The primary objective of this thesis is to develop an integrated framework of ethical decision-making for accountants in the context of one developing country, Sri Lanka. In order to achieve this primary objective (PO), three subobjectives (SO1-SO3) and seven research questions (RQ1-RQ7) have been developed for the purpose of this study (see Table 1).

Table 1. Research objectives and research questions

Research objectives	Research questions
SO1: To explain the nature of ethics and the ethical decision-making process of accountants in Sri Lanka	RQ1: What is the nature of ethics and the ethical decision-making process, as perceived by accountants?
SO2: To examine the association of ethical theories with ethical decision-making	RQ2: How are ethical theories associated with the ethical decision-making of accountants in Sri Lanka?
SO3: To identify various factors that influence the ethical decision-making of Sri Lankan accountants	RQ3: What individual factors influence the ethical decision-making of accountants in Sri Lanka?
	RQ4: What organisational factors influence the ethical decision-making of accountants in Sri Lanka?
	RQ5: Does familiarity with professional codes of ethics influence the ethical decision-making of accountants in Sri Lanka?
	RQ6: Does moral intensity influence the ethical decision-making of accountants in Sri Lanka?
PO: To develop an integrated framework of ethical decision-making for accountants in Sri Lanka	RQ7: Can an integrative framework for accountants be developed?

Source: Author

1.3 Background to the Research Objectives and Questions

The key motivation behind this study is a desire to make an important contribution by bridging the gap in our understanding of what drives the ethics and ethical behaviour of accountants in developing countries. Srinivasan (2012) reported that very little is being done in the field of ethics research and that research in the South and South East Asian region, which includes Sri Lanka, is in its infancy. The relative lack of ethical research in developing countries, the level of corruption in Sri Lanka, coupled with the country's unique cultural system in which Buddhism is deeply rooted, together make Sri Lanka a unique setting for this study.

It is widely understood that accountants have a critical role to play in ensuring the integrity of the profession by providing high-quality financial information, that is, the information they provide should be reliable, accurate, and transparent (Gaffikin, 2009). Therefore, fully understanding the relevance of ethics for accountants would require a full analysis of their role in society. As Zeni and Griffith (2016) argue, the role of accountants' "has prompted scientific, political, and social inquiry into the nature of business ethics, the effect(s) of ethicality, and the individuals responsible for ensuring morality in the business-operating environment" (p. 325). The research literature also indicates that the application of business ethics differs depending on the country, culture, and traditions, as well as the level of maturity in terms of regulation and enforcement of organisations' legal responsibility, and the expectations and duties of directors.

Addressing the first research subobjective, the study attempts to explain the nature of ethics and the ethical decision-making process of accountants in Sri Lanka. Despite many developed countries having paid attention to the scandals that have taken place and their consequences, and having addressed the issues of ethics in different ways, little attention has been given to the topic in developing countries like Sri Lanka. Thus, ethics in the accounting profession and the ethical decision-making of professional accountants in Sri Lanka remains a largely neglected research area. Given that their actions have a significant impact upon society at large, the unethical behaviour of accountants and auditors in Sri Lanka cannot, however, be over-emphasised.

The majority of the established principles and systems that currently govern the Sri Lankan accounting profession hail back to models first developed in the United Kingdom (see chapter 2 for further details), including Anglo-American models. Balachandran (2007) claims that the principles and systems in developed countries are “inappropriate for the entirely different social and economic environments of the developing world” (p. 24). He further claims that:

The context of Sri Lankan culture is different to the western culture and individualism and personal relationships win the day. There is also a culture of secrecy. Financial information used internally was not forthcoming. It is argued that western accounting embodies the key values of transparency and accountability, values that also happen to be central to any democracy. Only time will tell if this is true of Sri Lanka. (Balachandran, 2007, p. 25)

On the one hand, Sri Lanka has unique cultural and religious values based upon Buddhism. On the other, according to Uddin, Jayasinghe, and Ahmed (2017) “Sri Lanka has a fragile democratic system, led by families, and with weak democratic and financial institutions, and is subject to frequent violent political confrontations and ethnic conflicts” (p. 350). Therefore, they stress that “the fundamental basis for ‘rational’ governance models [Anglo-American corporate governance] is missing in Sri Lanka” (Uddin et al., 2017, p. 350). In this context, this thesis can contribute a rather unique ethics story, generated from one developing country, Sri Lanka, whose ethical proclivities would be different to most of those in Western countries, where much of the ethics literature has been grounded.

Addressing the second research subobjective, this thesis aims to examine the association of ethical theories with ethical decision-making. The existing ethics literature which is reviewed in chapter 4 provides the connection between ethical theories and the ways in which individuals rationalise their decision-making. However, there is a lack of research that considers the role that ethical theories play in the decision-making of accountants; thus, this study examines the link between various principles and decisions made by professional accountants in Sri Lanka.

To achieve its third research subobjective, the study attempts to identify various factors that influence the ethical decision-making process of accountants in Sri

Lanka. A great deal of research focuses on individual, organisational, professional, and moral intensity factors that impact the ethical decision-making process in numerous disciplines (see chapter 5). As a result, a number of models have been proposed in the existing ethics literature (see chapter 4). Among those models, Craft (2013) highlights the importance of Rest's (1986) four-component model and identifies the need for more research by claiming that "Rest's four steps in ethical decision-making continues to be a foundation for research in this field, although there is a call for more testing in the pre-decision areas" (p. 256). Chan and Leung (2006) highlight the usefulness of identifying factors around ethical awareness (the first component of Rest's (1986) decision-making model) within the accounting profession as follows:

Research into ethical sensitivity in the accounting profession is still under way and more research should be devised to identify those situational and personal factors that affect the component one process in the context of Rest's four-component model. Therefore, a better understanding of the individual, organizational, and environmental factors that influence on [sic] the accountant's recognition of ethical issues is thus important. (p. 450)

Gaa and Thorne (2004) argue that there is growing interest in both how accountants and accounting students make decisions and in the role of the individual factors that influence those decisions. Among various factors identified in the literature, Craft (2013) claimed that "demographic factors will most likely continue to generate a large amount of finding" (p. 256).

In addition to individual factors, organisational factors are found to be important in the ethical decision-making of individuals. For example, Balachandran (2007) argues that individuals, particularly professionals, are now motivated more by self-interest than they were in the past, and that they are likely to come from different cultures that emphasise different personal values. In particular, accountants can easily misunderstand the organisation's objectives and their own roles and duties

(Carnegie & Napier, 2010). As highlighted in the CIMA's Focus Report³ (2012), "participants saw the operating culture and management support as critical ... this reinforces the need, globally, of the operating culture to reflect ethical practice" (p. 14). Bakre (2007) asserts that it is the "greed factor" that has tempted professionals, including accountants, to act unethically in their work lives. As Craft (2013) noted, "perhaps future research will include more studies on organizational factors and the role they play in ethical decision-making" (p. 255). Drawing on these studies, there is an increased need for understanding of organisational factors, including the ethical culture in Sri Lankan organisations.

Prior research has found that other environmental and professional factors have an influence on the ethical decision-making process of individuals (Bommer, Gratto, Gravander, & Tuttle, 1987; McDevitt, Giapponi, & Tromley, 2007). This thesis posits that the accountants' familiarity with professional codes of ethics can be seen as a professional factor.

In addition to many of the other factors noted above, Jones (1991) suggested the investigation of ethical decision-making should also focus on one other issue, i.e., moral intensity. Therefore, for the purpose of this study the moral intensity dimensions proposed by Jones (1991) are considered, particularly because moral intensity has received less attention than other factors in accounting ethics research (Pierce & Sweeney, 2010; Sweeney & Costello, 2009).

Numerous studies have highlighted the importance of investigating the impact of a wide range of factors on ethical decision-making. Nevertheless, Langlais (2012) call for future research with the following emphasis: "More research is needed to examine the role of individual, contextual and organisational factors in ethical decision-making in the conduct of science, research and professional activities" (p. 554). Moreover, Prentice (2014) claims that individuals of good character, even if they are skilled at moral reasoning, may make wrong decisions or do bad things

³ The CIMA focus report: Acting under pressure: How management accountants manage ethical issues—draws on the CGMA survey responses of the 1,760 CIMA members and students. Findings from nine markets that had the highest response rates are highlighted. In addition, focus groups, involving members and students, were held in several CIMA markets—the United Kingdom, Malaysia, Pakistan, Sri Lanka and South Africa.

because they are “subject to psychological shortcomings or overwhelmed by social pressures, organisational stresses, and other situational factors” (p. 325) . Furthermore, Lehnert et al. (2015) claim that relationships between various factors and the decision-making process are complex and, that even after decades of examination, a clear understanding of their impact in the context of ethical decision-making has not been produced. They further indicated in their meta-review of ethical decision-making that:

... the relationships between factors such as age, employment, locus of control, religion, ethical climate, organizational climate, and ethical decision making still need to be further investigated, and demands that we should take into account other contingency factors that may be acting as moderators or mediators of such relationships. (p. 213)

A significant challenge is that ethics studies have produced inconclusive findings on the antecedents of the ethical decision-making of individuals (Lehnert et al., 2015). The above research calls, therefore, highlight the significance of this study’s third research objective—identifying the impact that various factors have on the ethical decision-making of an accountant. Accordingly, the study attempts to examine the influence that a range of individual, organisational, professional, and moral intensity factors exert on the ethical decision-making processes of accountants in Sri Lanka.

1.4 Research Methodology and Methods

Driven by its research objectives, the study adopts a mixed methodology to guide the investigation. In particular, this study employs mixed methods in the form of interviews and a questionnaire survey to achieve its objectives and to answer its research questions. As argued by Babbie (2013), each research method has its own strengths and weaknesses, and thus using multiple methods enables the researcher to take advantage of their different strengths and to minimise their weaknesses.

At the operationalisation stage of the research, the following three tasks were undertaken together, and in parallel, as ground work: developing written vignettes, preparing the interview guide, and constructing the questionnaire survey. Ethical approval was sought and obtained from the Ethics Committee of the Waikato

Management School, University of Waikato for the research project. Once ethical approval had been obtained, pretesting of the vignettes commenced, followed by the making of the video vignettes designed to assist the interview process. The pretesting of the video vignettes and the questionnaire instrument was then finalised.

This study's sample comprises accountants who are members of one or more of the professional accounting bodies in Sri Lanka. To achieve a diverse sample, the accountants came either from accounting firms, business organisations or government departments.

Forty semistructured interviews were conducted with accountants in Sri Lanka, first, to obtain their insights into the nature of the ethical decision-making process and the rationales for their decisions and secondly, to investigate the role that various factors play in their decision-making. The insights from these interviews were also used to refine the questionnaire survey. The questionnaire was distributed to the study sample and 315 completed questionnaires were collected. The data gathered through the questionnaire survey provided structured information on the perceptions of a larger sample of accountants regarding particular ethical issues and helped to identify factors that may influence their ethical decision-making, and so supplemented the interview data. The questionnaire and interview data were combined for analysis to achieve the study's primary research objective of developing an integrated ethical decision-making framework and making recommendations.

1.5 Contribution to Knowledge

The thesis makes important contributions in terms of methodological, theoretical, and practical aspects to ethics literature, particularly for Sri Lankan accountants.

First, the thesis contributes methodologically to academic knowledge through the development of two forms of vignettes (written and video) designed specifically for the Sri Lankan context. In particular, the development of video vignettes to use as a tool to conduct interviews makes a methodological contribution to existing knowledge.

Second, the study contributes to theory in that it produces an ethical decision-making framework that offers a better understanding of ethics to Sri Lankan accountants. If the ethical behaviour of accountants is to be improved, it is essential that the factors affecting ethical decision-making are understood and are incorporated into ethics education and ethical codes. Moreover, as Bohns, Roghanizad, and Xu (2014) argue, social context plays a large part in decision-making. Therefore, this study is novel in that it is the first to explore the ethical decision-making of accountants in Sri Lanka, a context in which Buddhism, on the one hand, is a unique cultural feature, and where corruption, on the other, is pervasive.

Thirdly, the thesis provides practical implications for professional accountants, accounting bodies, educators, and work organisations in Sri Lanka. Accordingly, the study's insights will be helpful in improving the accounting profession as a whole in Sri Lanka. To that end, this study makes a further contribution through its recommendations.

1.6 Organisation of the Thesis

The thesis comprises 11 chapters; a brief overview of each chapter is given below.

Chapter 1: An overview of the research project

This chapter sets out the background of the thesis, its research objectives, research questions, the significance of the study, its research methods, and the organisation of the thesis.

Chapter 2: The context of Sri Lanka and the accounting profession

This chapter offers a discussion of the historical, cultural, and religious background, and the economic and legal environment of Sri Lanka. A discussion of the historical evolution of the accounting profession in Sri Lanka to date is also provided.

Chapter 3: A literature review: The ethical decision-making of accountants

In order to explore the nature of accounting ethics, this chapter reviews the related literature and discusses ethics and the accounting profession, particularly in terms

of ethical dilemmas in accounting. It also highlights the issues of ethics in the Sri Lankan accounting profession. Further, it explores the role of ethical codes and ethics education. The chapter also briefly reviews the ethics literature that deals with normative and descriptive views. Finally, the chapter highlights the need for an ethical decision-making model for accountants.

Chapter 4: The role of ethical philosophies/theories and models in ethical decision-making

This chapter reviews ethical theories and prior ethical decision-making models. First, it explores the meanings of ethics, morality, and ethical decision-making. Furthermore, it examines different ethical theories in order to provide meaningful insights into the principles of each theory, the rules around making decisions. The purpose here is to understand what constitutes right and wrong, and their importance in assessing the ethical decisions of accountants. The chapter then explains prevailing ethical decision-making models in order to understand how they are conceptualised.

Chapter 5: Ethical framework for the accounting profession: Key theories and factors influencing the ethical decision-making process

This chapter first describes the key theories and ethical decision-making models employed in this study. Next, it explains various factors which influence ethical decision-making; here, individual, organisational, professional and moral intensity factors are discussed. Finally, this chapter suggests an ethical framework for the accounting profession in Sri Lanka.

Chapter 6: Research methodology and methods

This chapter describes the mixed methods approach and the research methods used in this study. First, it justifies the choice of a mixed methods methodological approach and its positioning in this study. Next, the research methods, interviews and the questionnaire survey are described. Finally, the research methods are elaborated in detail.

Chapter 7: Interview findings: Accountants' perceptions on ethics and rationales in decision-making

This chapter discusses the interview findings derived from the professional accountants' responses which address the first two research questions of the study. Addressing the first research question, the chapter initially explores the perceptions of Sri Lankan accountants regarding the meaning of ethics, accounting ethics, and the ethical decision-making process. Addressing the second research question, the chapter presents the responses provided by accountants with regard to the actions they would take when faced with the ethical dilemmas presented in the video vignettes and the rationales offered for their decisions. Those rationales were then interpreted using a number of ethical theories/philosophies, including: utilitarianism (rule and act); deontology; rights theory; theory of justice; and, religious ethics.

Chapter 8: Interview findings: The role of the factors influencing ethical decision-making of accountants

Chapter 8 presents the interview findings that emerged from the responses provided by professional accountants in Sri Lanka on the influence of various factors on their ethical decision-making. The chapter illustrates the role of individual, organisational, professional, and moral intensity factors in ethical decision-making. Using the interview data, this chapter addresses the study's third, fourth, fifth, and sixth research questions.

Chapter 9: Questionnaire data analysis findings

This chapter provides the findings on the questionnaire survey data. The questionnaire data analysis findings lead to the identification of factors influencing the ethical decision-making of professional accountants in Sri Lanka. The findings in this chapter answer the third, fourth, fifth, and sixth research questions of the study.

Chapter 10: Development of an integrated ethical decision-making framework for the Sri Lankan accounting profession

Through the integration of both the interview and questionnaire data analyses, this chapter offers an integrated ethical decision-making framework. It presents a

framework of analysis of the factors that influence the ethical decision-making of Sri Lankan accountants. The chapter also focuses on developing a discussion on the practical issues of operating the framework of analysis in light of the research findings. Further, the chapter recommends ways to improve the framework of analysis.

Chapter 11: Conclusion

This chapter provides a summary of the findings of the study and how these findings contribute to theory and practice. Additionally, the research implications, limitations of the study, and recommendations for future research are presented.

1.7 Summary

The purpose of this chapter was to provide background information on the present study. The study was motivated by the lack of an ethical decision-making model for accountants and unaddressed ethical issues in the accounting profession in developing countries such as Sri Lanka. This chapter discussed the research objectives and questions that frame the study. Its overarching research objective is to develop an integrated framework of ethical decision-making for accountants in a developing country, Sri Lanka. To achieve this objective, seven research questions were posed. Using mixed methods that combine interviews and a questionnaire survey, it is hoped that the findings of the present study will prove beneficial to knowledge and practice.

Since ethical decision-making is context-driven, it is important to better understand the context of Sri Lanka as the research setting. Hence, in order to provide the research setting for this study, the next chapter explains the background of Sri Lanka.

Chapter 2

The Context of Sri Lanka and the Accounting Profession

2.0 Introduction

This chapter presents the background research setting for this study. The importance of having such a contextual understanding is supported by Bohns et al. (2014) who claim that ethical decision-making is context-driven. Hence, in this study the contextual setting supplements the interpretation and explanations of its findings and so helps to provide a holistic understanding of the ethics of accountants in Sri Lanka. In addition, the discussion in this chapter also provides an understanding of the context and, thus, the development of an ethical decision-making framework for Sri Lankan accountants.

This chapter commences with a brief overview of Sri Lanka. It then elaborates on its historical, economic, socioeconomic, political, legal and business environment, and cultural background. This brief summary is followed by an overview of the Buddhist philosophy and its impact on the people in Sri Lanka. The remainder of the chapter discusses the accounting profession in Sri Lanka. The chapter concludes with a summary.

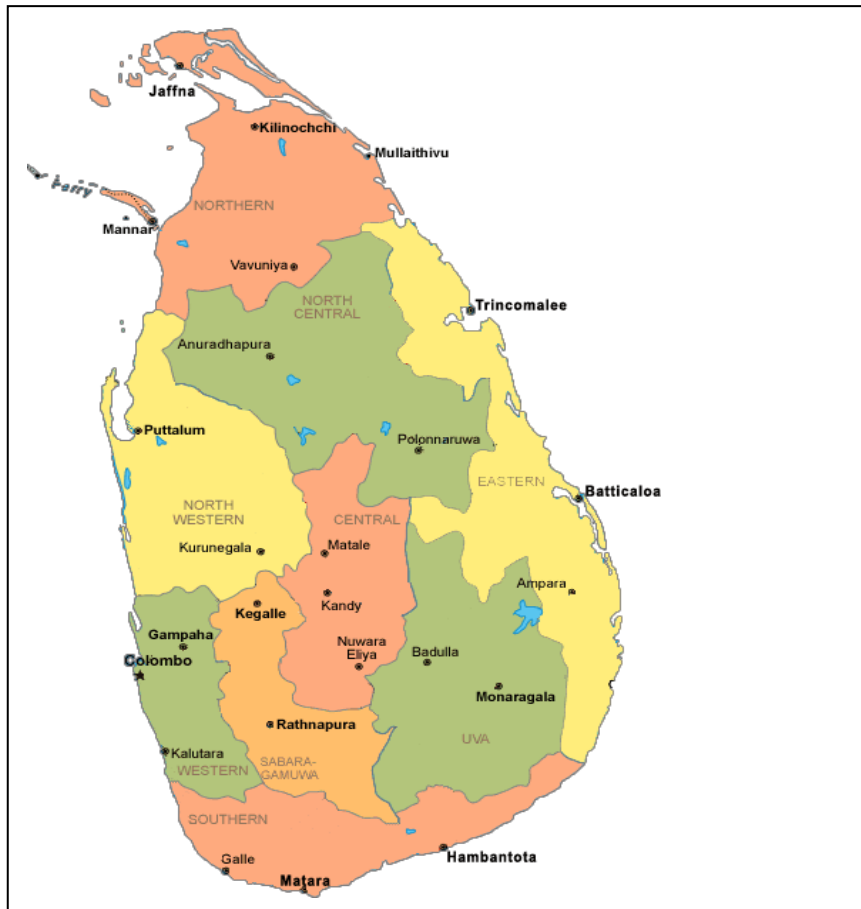
2.1 An Overview of Sri Lanka

Sri Lanka is officially known as the Democratic Socialist Republic of Sri Lanka. However, ancient Greek geographers called Sri Lanka Taprobane, while Arabs referred to Sri Lanka as Serendib. Later, European mapmakers called it Ceylon, the name still used occasionally for trade purposes. The name Ceylon was then changed to the Republic of Sri Lanka in 1972. Following the introduction of a new constitution in 1978, the country was renamed the Democratic Socialist Republic of Sri Lanka.

Sri Lanka is an island in the Indian Ocean. It is the 122nd largest country in the world in terms of its area (Central Intelligence Agency, 2014). The judicial and legislative

capital city of Sri Lanka is Sri Jayewardenepura Kotte, while the commercial capital is Colombo. As shown in the map in Figure 1, Sri Lanka has nine provinces and 25 administrative districts. These districts are further subdivided into divisional secretariat divisions which are made up of the smallest administrative units in the country.

Figure 1. Map of Sri Lanka.



2.2 Historical Background to Sri Lanka

Although Sri Lanka is known as a multicultural and multireligious country, its civilisation was formed through the influence of Buddhism. According to the early

chronicles, *Dipavamsa*⁴, and the *Mahavamsa*⁵, the Sinhalese⁶ race originated from the migration of the descendants of an Indo-Aryan prince named *Vijaya*⁷ from northern India to Sri Lanka (Seneviratne, 2007). The descendants of Indo-Aryans, known as *Veddas*⁸, followed their aboriginal customs and beliefs (Perera, 2007). According to the *Dipavamsa* chronicle, the Sinhalese embraced Buddhism with the arrival of Mahinda Thero⁹ from India in the third century B.C. (Perera, 2007). Since then, Buddhism has been the national religion of the Sinhalese people. However, Buddhism has faced many challenges throughout history, particularly during the period of colonisation after 1505.

Sri Lanka at various times during its history has been colonised by external invaders including the Portuguese, the Dutch, and the British. Colonial rule first began in 1505 when the Portuguese captured regions bordering the Sea of Ceylon. The Portuguese made a great effort to convert the Sri Lankan Buddhists to Catholicism (Wickremeratne, 2006). Portuguese rule could be considered as one of the darkest periods in Sri Lanka's Buddhist history (Perera, 2007). For example, people who worshipped in public or wore yellow robes were put to death and Buddhist monasteries were destroyed.

The Dutch dislodged the Portuguese in 1658 and ruled Sri Lanka until 1796. The Dutch were Protestants and made an effort to convert native Sri Lankans by distributing material rewards and through offering positions in the administration (Wickremeratne, 2006). The British overthrew the Dutch in 1796. Although, the British promised to safeguard Buddhism, the attitude of British rulers caused

⁴*Dipavamsa* is the oldest historical document of Sri Lanka and it means Chronicle of the Island. Its importance resides not only in its being a source of history and legend, but also its importance as an early work of Buddhist literature.

⁵*Mahavamsa* is known as the "Great Chronicle" and it is the most detailed historical record of Sri Lankan history and Buddhist literature.

⁶The Sinhalese are the major ethnic group in the country even today.

⁷*Vijaya* was an Indo-Aryan Prince who arrived Sri Lanka when the island was inhabited by the *Yakkas and Nagas*. He allied himself with the queen of the *Yakkas* named *Kuveni*. They had two children and the Sinhalese race originated from them.

⁸*Veddas* are aboriginal inhabitants of Sri Lanka.

⁹*Mahinda Thero* was a monk from India who introduced Buddhism to Sri Lanka.

dissatisfaction among Sri Lankans (Perera, 2013). British rulers allowed Christian missionaries to engage in missionary activities. Under the British, Sri Lankans were converted and became Anglicans, Wesleyans, or Baptists.

During the British period, Tamil labourers were brought from South India to Sri Lanka to work in the plantation industry. The arrival of Indian Tamils created a change in the ethnic mix of Sri Lanka. About a third of today's Sri Lankan Tamil population are descendants of these Indian Tamils (Seneviratne, 2007). In 1815, the whole island was united under British administration.

On 4th February, 1948, Ceylon was granted independence as the Dominion of Ceylon. The dominion status of the country within the British Commonwealth was retained until 1972 when the country became a republic. Since the gaining of independence, there has been a revival of the Buddhist religion and culture. This reawakening was particularly visible when the *Buddha Jayanti*¹⁰ was celebrated in 1956 (Perera, 2007).

The European influences have left their mark on the country and Sri Lanka has become a multiethnic, multireligious, and multilingual country. The present ethnic mix of Sri Lanka consists of Sinhalese (74.9%), Tamils¹¹ (15.4%), Moors (9.2%), and others (0.5%) (Central Bank of Sri Lanka, 2016). The other ethnic group makes up less than 1% of the population and consists of Burghers (descendants of the Portuguese, Dutch and the British), Malays, and other minor ethnic groups including the Veddas, the descendants of the indigenous population.

At present, Sri Lankans practise one of the four main religions: Buddhism, Hinduism, Islam, and Christianity. Buddhists are the main religious group (70.2%) (Central Bank of Sri Lanka, 2016). The majority of Sinhalese are Buddhists; Sri Lankan culture draws upon Buddhist values (see section 2.6 of this chapter). Hindus

¹⁰*Buddha Jayanti* was the 2500th anniversary celebration of *Lord Buddha's* death.

¹¹ Tamils represent two distinct Tamil communities in Sri Lanka. The first group is the Sri Lankan Tamils who make up the majority in the northern and eastern parts of Sri Lanka. The second group is the Indian Tamils who were brought to Sri Lanka by the British in the 19th century to work on plantations in the country.

form 12.6% of the population and are primarily Tamils. The remainder include Muslims (9.7%) and Christians (7.4%), with a very small percentage (0.1%) belonging to other religions (Central Bank of Sri Lanka, 2016). Historically, one's Sri Lankan ethnicity and religious background led to caste and class differences. However in Sri Lankan society, the discrimination among people based on caste and class differences has diminished over time (Wickremeratne, 2006). The next section elaborates the economic background of the country.

2.3 Economic Background of Sri Lanka

Sri Lanka developed primarily as a plantation export-oriented economy. During the colonial period, the production and export of tea, rubber, coffee, spices, and other agricultural commodities was promoted. Since gaining independence, Sri Lanka has followed several different economic agendas.

Following independence in 1948 and up until 1956, Sri Lanka maintained the open economic colonial structures with their reliance on plantation agriculture exports, in particular tea and rubber. An import substitute industrialisation (ISI) policy was followed during the period 1960 to 1977 (Bandara & Jayasuriya, 2007). In 1977, the Sri Lankan economy became an open economy (Abeyratne, 2004), the first in the South Asian region to do so (Athukorala & Rajapatirana, 2000). With this open economic policy, Sri Lanka opened its doors to privatisation, deregulation, and private sector involvement (Bandara & Karunaratne, 2013). Sri Lanka has continued to follow an open economic policy, with changes in economic reforms being made by different governments.

Sri Lanka's open-economy policies along with the ending in 2009 of a three-decades-long civil war created a momentum in the country's political and economic environment which impacted on the accounting profession (Yapa, Ukwatte Jalathge, & Siriwardhane, 2017). Since gaining independence, the country's highest economic growth¹² was recorded at 9.1% in 2012 (Cooray, 2011). In more recent years, economic growth is reported to have been 4.8% and 4.4% in 2015 and 2016

¹² Economic growth is represented by the Gross Domestic Product (GDP) growth rate.

respectively (Central Bank of Sri Lanka, 2016). The 2016 Central Bank Annual report proffered several reasons for this lowering economic growth citing both domestic reasons (such as a rise in inflationary pressures, tightening of the monetary policy, and adverse weather conditions) and external forces (such as slow global economic recovery after the 2008 global financial crisis, and sluggish global trade).

According to the World Bank's classification¹³ (Cooray, 2011), Sri Lanka is currently a lower-middle income country. In 2015 the Gross National Income (GNI) per capita income was US\$10,789. It can also be seen that that income level was higher than the average GNI of others in the South Asian region¹⁴ (United Nations, 2016).

In addition to understanding the country's economic environment, it is also useful to understand the political, legal, and business environment of Sri Lanka. The next section discusses this issue.

2.4 Political, and Legal Environment in Sri Lanka

2.4.1 Political environment.

It is widely accepted that the political system of a country influences its economy, legal and business environment, and its accounting practices. After independence, Sri Lanka practised the Westminster system of government. The prime minister was the executive head of state (Seneviratne, 2007). In 1978, a new constitution established a system of government with an executive presidency; that system continues to this day. The president of Sri Lanka is the head of state and government. While government exercises executive power, legislative power is vested in both the government and parliament. The parliament has 225 members, elected for a 5-year term.

¹³ The World Bank classification of income groups is as follows; low income (less than US \$995); low-middle income (US \$996 - 3,945); upper-middle income (US \$3,946 - 12,195); and high income (US \$12,196 or more).

¹⁴The South Asian region consists of nine countries including Afghanistan, Bangladesh, Bhutan, India, and the Islamic republic of Iran, the Maldives, Nepal, Pakistan and Sri Lanka.

Political instabilities have occurred from time to time throughout Sri Lanka's recent history. For example, Sri Lanka was engaged in a civil war from the 1980s up until 2009. The main reason behind the civil war was the ethnic tensions between the majority Sinhalese and minority Tamils (Abeyratne, 2004). During this time, Sri Lanka faced not only continued violent unrest, but also political and economic instabilities (Seneviratne, 2007). After nearly 30 years of civil war, Sri Lanka is once again a peaceful country.

Despite the peace in the country, Sri Lanka's political system is highly corrupt. Hopper, Lassou, and Soobaroyen (2017) indicate that the prevalence of corrupt governments and war constrain development in developing countries in general. The Sri Lankan media has reported many examples of corruption, including politicians' use of state resources in election campaigns, the taking of bribes or use of state resources for personal gain, political appointments based on favouritism, and irregularities in the granting of contracts (GAN Business Anti-Corruption, 2017). In addition, politicians in the Third World, once in power, spend massive sums of public money that motivates corrupt behaviour (Khera, 2001). In particular, Lindberg and Orjuela (2011) argue that the war in Sri Lanka created new incentive structures that enabled or encouraged corrupt activities. They maintain that conflict and corruption are intertwined in Sri Lankan national politics.

2.4.2 Legal and business environment in Sri Lanka.

Sri Lanka has a complex mixture of legal systems derived from English common law, Roman-Dutch law, Sri Lanka's statute laws, and personal laws which have been derived from the country's ancient customary practices and/religions (Seneviratne, 2007). Criminal law in Sri Lanka is based mostly on English common law, and civil law is based on Roman-Dutch law. Business organisations are administered through statutes which have been developed on the basis of a mixture of the above legal systems.

The existing business environment, particularly for accountants in Sri Lanka, is governed mainly through three forces: stock market regulations; legislation; and, self-regulation. The stock market regulations are applicable to companies registered

on the Colombo Stock Exchange¹⁵ (CSE). Legislation relevant to businesses includes the Companies Act, regulations, and tax laws. The legal framework for corporate control is provided by the Companies Act of Sri Lanka which has been grounded traditionally in English law. The current Companies Act¹⁶, enacted in 2007, was based on a model which was closely aligned to the 1993 Companies Act of New Zealand. The Companies Act of 2007 provides the rules, procedures, and accounting and reporting requirements for companies incorporated and registered in Sri Lanka. For example, it requires companies to maintain certain records and to have them audited by a qualified auditor annually. As pointed out in chapter 1, the Companies Act provisions with regard to the governance of accountants in public practice in Sri Lanka have been criticised in light of corporate scandals. Self-regulation of accounting and accountants is done mainly through accounting conventions and the codes of ethics issued by professional accounting bodies.

The Sri Lankan legal and business environment is also not free from corruption. As stated in the Global Competitiveness Report 2016-2017, the judicial system is subject to corruption and manipulation due to the existence of political appointments at every level and the intimidation and transfer of judges (World Economic Forum, 2014). According to GAN Business Anti-Corruption (2017), the public procurement sector is highly corrupt. This report further highlights that Sri Lankan businesses do not have sufficient confidence in the judiciary's independence and its ability to efficiently settle disputes and challenge government regulations.

¹⁵ The Colombo Stock Exchange (CSE) was established in 1985 and it has 293 companies which represented 20 business sectors as at 31st may 2014. The companies registered under the Colombo Stock Exchange has to abide by the Securities and Exchange Commission Act No 36 of 1987 and the listing rules of exchange.

¹⁶ The Companies Act No 7 of 2007 replaced the Companies Act No 17 of 1982, the Companies (Special provisions) Law No 19 of 1974 and the Foreign Companies (Special Provisions) Law No 9 of 1975.

2.5 Cultural Background in Sri Lanka

A country's culture influences behaviour and the personal values of individuals in that country (Burnaz, Atakan, Topcu, & Singhapakdi, 2009). As stated in the early sections of this chapter, Sri Lanka is dominated by Buddhist culture and is recognised as one of the world's main centres of Buddhist history and practice (Edelglass & Garfield, 2009). Despite the presence of other religions, Sri Lanka is considered first and foremost as a Buddhist country (McGhee, 2001). Theravada Buddhism, which is one of the branches¹⁷ of Buddhism, is preserved and practised in Sri Lanka. Before discussing the impact of Buddhism on the spiritual lives of the Buddhists in Sri Lanka, it is useful to understand the fundamental principles of the Buddhist philosophy, and to understand the uniqueness of the Buddhist culture.

2.5.1 An overview of the Buddhist philosophy

Buddhism is a philosophical religion that developed from the teachings of the Buddha (Schmidt-Leukel, 2006). According to Buddhist teachings, one's life is an endless process until one reaches the final destination which is called *Nibbana*.

According to the Buddhist philosophy, the process of one's endless life is governed by "the Law of *Karma*"¹⁸ which is considered to be the fundamental principle in Buddhism. The word karma literally means "action" (Bodhi, 2012). According to Buddha, not all actions are related to karma. For example, the Buddha refers to karma specifically as volitional or intentional actions, bodily, verbal, and mental (Bodhi, 2012). On the other hand, involuntary or unintentional actions do not establish karma (Bodhi, 2012). Thus, Buddhists believe that they are responsible

¹⁷ The main two branches of Buddhism are "*Theravada*" and "*Mahayana*". While *Theravada* Buddhism is found mainly in Sri Lanka and Southeast Asia (Cambodia, Laos, Thailand, Myanmar etc.), *Mahayana* is found throughout East Asia (China, Korea, Japan, Vietnam, Singapore, Taiwan etc.) and includes various branches within it. In recent decades *Theravada* Buddhism has begun to take root in the West—primarily in Europe, Australia, and the USA.

¹⁸ *Karma* is used in the language of Sanskrit while the same is known as *kamma* in the Pali language. Pali has been widely used in the Buddhist scriptures, while Sanskrit is a classical language which flourished in India thousands of years ago and is much older than Pali. Researchers have used either *Kamma* or *Karma* interchangeably

for their own actions and no one can contaminate them but themselves (Wickremeratne, 2006).

The Buddhists in Sri Lanka revere three fundamental jewels in practising Buddhism: the Buddha himself; the *Dharma* (*Dharma in Sanskrit and Dhamma in Pali*) which is the teaching of Buddha; and, the *Sanhga* who are the monastic community including monks and nuns (*saṅgha in Sanskrit*) (Keown, 2005). Most importantly, the Dharma, which is the Buddha's teaching, explains the Buddhist philosophy (Schmidt-Leukel, 2006) (for further explanation, see chapter 4).

The cultural identity of Sri Lanka is undoubtedly shaped by Buddhism. Fernando and Almeida (2012) claim that “due to a unique cultural system that has been formed by a process of syncretic fusion embedding various religious elements, religion influences almost every aspect of people's lives in Sri Lanka” (p. 568). Thus, the next section presents the impact of Buddhism on the cultural development of Sri Lankan individuals.

2.5.2 Impact of Buddhism on the social and cultural development of people in Sri Lanka

Buddhism plays a central role in the spiritual, cultural, and social life of people in Sri Lanka (Berkwitz, 2006). A person becomes a Buddhist at his/her birth. When Buddhist children grow up, they learn Buddha's teachings as a subject at school and also in “Sunday school”¹⁹. As explained in the previous section, to be a Buddhist, one has to take refuge in the three jewels of Buddhism: the Buddha, the Dharma, and the Sangha (Wickremeratne, 2006). In order to take refuge in the Buddha, the Dhamma, and the Sangha, Buddhists follow various devotional practices in their day-to-day spiritual lives. These practices take the form of worshipping, making offerings to Buddha, and performing various rituals.

¹⁹ Sunday school is conducted by Buddhist monks at temples on Sundays. Sunday is usually a school holiday in Sri Lanka. In Sunday school, Buddhist monks teach the Buddhist students the philosophy taught by the Buddha.

The main form of Buddhist worship is reciting the five precepts²⁰ daily. Although it is not practical to observe the five precepts every day, Buddhists observe them on the days of the full moon²¹ (*poya* days). The key to understanding appropriate behaviour from a Buddhist perspective lies in the precepts, especially not harming and not lying. In addition, Buddha is worshipped with the offering of flowers, lamps, incense sticks, and special foods, while Buddhist stanzas are recited. Buddhists in Sri Lanka also make ritual offerings of food and other necessities to monks and nuns. This is called *dana*, which means giving (Wickremeratne, 2006). These are common practices, and they all form part of the process of becoming a Buddhist. These practices have made the Sri Lankan Buddhist culture rich, giving it depth and colour. The life of Buddhists encompasses a gradual progression towards taking a morally accepted course of action whenever and wherever possible, depending on the present spiritual development of an individual (Liyanarachchi, 2008).

Keown (2005) asserts that “the doctrine of Karma is concerned with the ethical implications of Dharma, in particular those relating to the consequences of moral behaviour” (p. 5). Mostly, the cultural identity of Sri Lankan people is permeated with the word “karma” which is connected with every action and its reaction (Wickremeratne, 2006). For example, Buddhists believe that fortunes, misfortunes, good luck, bad luck, happiness, and worries are related to their own karma. Buddhist ethics which govern the moral conduct of a Buddhist will be further explained in chapter 4 of the thesis.

The impact of Buddhism spreads from the individual to society. According to a Gallup survey report, Sri Lanka was ranked as the second most religious country in the world in 2009, and 99% of the Sri Lankan population believe that religion is an important part of their daily lives (Crabtree & Pelham, 2009). Moreover, Sri Lanka also tops Asia in terms of charitable giving and is ranked tenth in the World Giving

²⁰ The five precepts are considered as the moral duties that should govern Buddhists in their day-to-day lives. The five precepts are the duties of refraining from: harming living creatures; stealing; sexual immorality; speaking falsely; and, taking intoxicants.

²¹ The full moon day in every month is called a *poya* day in Sri Lanka. This day is a monthly holiday for Sri Lankans, particularly Buddhists who take part in various morality programmes conducted by Buddhist monks at temples on this day.

Index²² (Charities Aid Foundation, 2013). Sri Lankans' high level of religiosity has been identified as a contributing factor in terms of their high ranking on the World Giving Index (Fernando & Almeida, 2012). Buddhist teachings and longstanding rituals have also helped to shape the Sri Lankan business environment, including the accounting profession (Liyanarachchi, 2008). One can argue that within a context such as Sri Lanka's Buddhist culture, religion should play a vital role in the ethical decision-making of Buddhist Sri Lankans.

However, as explained in chapter 1, the unethical behaviour of Sri Lankan professionals in various scandals and corrupt activities raises a question about Buddhist practices in Sri Lanka. In particular, the next section will address the issue of corruption within Sri Lanka.

2.6 Corruption within Sri Lanka

As briefly explained in section 2.5, corruption is endemic in Sri Lanka's economic, political, legal, and cultural environment as proven by Transparency International's 2016 Corruption Perceptions Index (CPI), which ranks all countries by their perceived levels of corruption. There Sri Lanka ranks as the 80th most corrupt country (score = 36 out of 100) out of 176 countries in the world. A number of anticorruption initiatives that have been taken by the Sri Lankan governments over time are discussed next.

Having a colonial history, the anticorruption laws of Sri Lanka are directly linked to British colonial rule. For example, bribery has been a punishable offence in Sri Lanka under the Penal Code since as far back as 1860. Under British colonial rule, bribery was added as a criminal offence to the Statute Book, known as the Criminal Procedure Code of 1898. In 1954, the Bribery Act was enacted and in 1958, the Bribery Commissioner's Department was established under the Ministry of Justice in order to minimise corruption. The Bribery Act was amended in 1994 by the

²²The World Giving Index study was computed by the Charities Aid Foundation. The index is computed based on three dimensions: volunteering, living money and helping a stranger. While the survey found that Sri Lanka ranked third in the world for volunteering time for others, Sri Lanka recorded a dramatically higher ranking than the rest of the countries in the region for overall charitable giving.

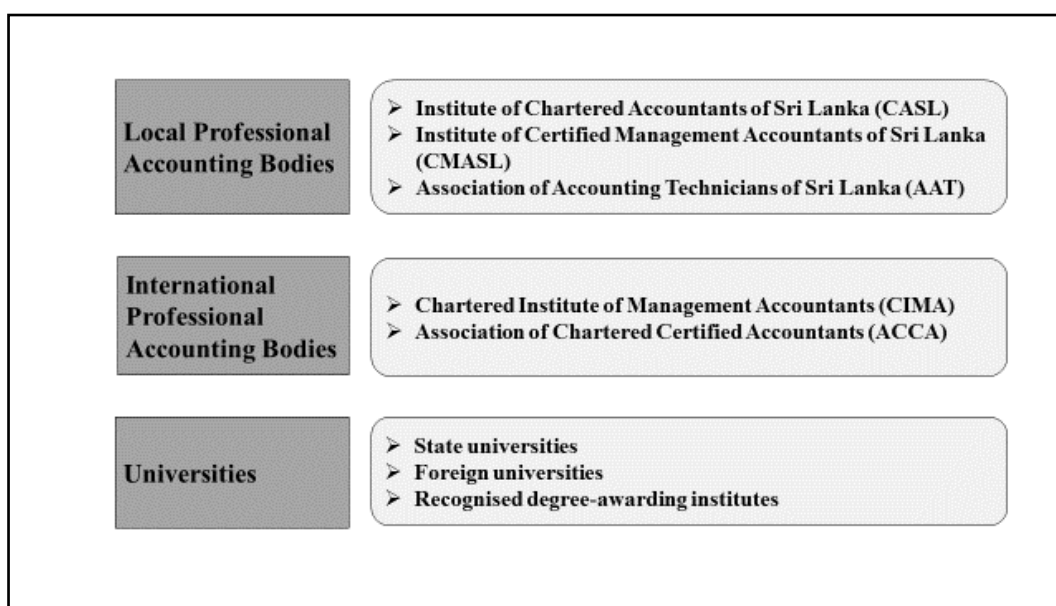
Bribery (Amendment) Act No 20 of 1994. In the same year, the Commission to Investigate Allegations of Bribery or Corruption (CIABOC) was established as the Anti-Corruption Agency in Sri Lanka by Act No 19 of 1994. However, Baniamin and Jamil (2017) identified the CIABOC an “*inactive or Dormant*” type of Anti-Corruption Agency (ACA) (p. 15). Despite these various initiatives, Sri Lanka still struggles with ongoing corruption.

In order to understand the behaviour of individual accountants in this highly corrupt society, the next section provides some background on the accounting education and training that accountants have to undergo in order to become members of the accounting profession.

2.7 The Accounting Profession in Sri Lanka

Historically, the accounting profession in Sri Lanka has been influenced by the United Kingdom (Wijewardena & Yapa, 1998; Yapa, 2000), because, for nearly one and a half centuries, Sri Lanka was a British colony. Thus, accounting education in Sri Lanka, particularly professional accounting education and practice, has been developed almost entirely on the basis of the British system (Yapa, 2000). Although Sri Lanka still follows the British system to produce accountants, the current state of the accounting profession in Sri Lanka is also influenced by the intervention of universities and the establishment of several local and foreign professional accounting bodies. Figure 2 lays out the key players in the Sri Lankan accounting profession.

Figure 2. Key players in the Sri Lankan accounting profession.



Source: Author

The following sections explain the current state of the accounting profession in order to understand the background of professional accountants in Sri Lanka. These sections cover: professional accounting education; academic accounting education; and, pathways to becoming a professional accountant in Sri Lanka.

2.7.1 Professional accounting education and training in Sri Lanka

Key players in professional accounting education and training in Sri Lanka

The early days of professional accounting education were significantly influenced by the British colonial system. Until 1941, prospective Sri Lankan accountants had to register under the professional accountancy bodies in the United Kingdom and become a member of one of the UK's professional accounting bodies (Wijewardena & Yapa, 1998). These included the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Incorporated Accountants, and the Association of Certified and Corporate Accountants (Perera, 1975). In 1941, the Ceylon Accountancy Board was established by the British with the objective of producing local registered accountants to serve in the country; that board was, therefore, the first authoritative accounting body in Sri Lanka (Perera, 1975).

Even though Sri Lanka gained independence in 1948, the country continued to follow the same method of education and training for producing accountants as did the professional accounting bodies in the United Kingdom, particularly the ICAEW. Replacing the Ceylon Accountancy Board in 1959, the first national professional accounting body—the Institute of Chartered Accountants of Sri Lanka (CASL)—was established under the provisions of the Institute of Chartered Accountants Act No. 23 of 1959. The incorporation of the CASL offered the opportunity for prospective accountants to become qualified within the country (Wijewardena & Yapa, 1998).

Since then the CASL has been the dominant professional accounting body; however, at present a number of local and foreign bodies operate in the country as key players in the profession. As depicted in Figure 2, the other local professional bodies include the Institute of Certified Management Accountants of Sri Lanka (CMASL), and the Association of Accounting Technicians (AAT) which is a subsidiary of CASL, while the foreign accounting bodies consist of the Chartered Institute of Management Accountants (CIMA) and the Association of Chartered Certified Accountants (ACCA).

As shown in Table 2, all these professional accounting bodies have either IFAC full membership or associate membership. Further, as presented in Table 2, CASL has the largest number of members and student population compared to the other professional accounting bodies. The World Bank (WB) report (Wickramasinghe, 2015) states that around 23% of its members are nonresident and employed overseas. The report further indicates that female members make up only 28% of CASL's membership of 4,300 members. According to the World Bank report (Wickramasinghe, 2015), the professional accounting bodies have high enrolment rates which collectively exceed university enrolments of the state universities in the commerce and accounting streams.

Table 2. Professional accounting bodies status

Professional accounting body	IFAC membership	Number of Members	Number of Students
CASL	A member	4,300	44,007
CMASL	Associate member	2,253	16,877
AAT	Associate member	4,069	40,118
CIMA	A member	3,163	15,727
ACCA	A member	264	790

Source: Extracted from World Bank Report (Wickramasinghe, 2015, pp. 27-28)

Each professional accounting body offers its own qualifications. According to the World Bank report (Wickramasinghe, 2015), Sri Lanka’s professional accounting bodies, and particularly the CASL’s curriculum, have included “business ethics” as a separate interactive module since 2014. All of these professional accounting bodies have been set up to improve the status of the accounting profession and to contribute positively to the economic development of the country.

As briefly explained in chapter 1, all Sri Lanka’s professional accounting bodies have adopted globally accepted ethical standards—the IFAC code of ethics—for their members with the aim of guiding accountants towards acting ethically. The latest version of the code of ethics is based on the code of ethics issued in the *Handbook of the Code of Ethics for Professional Accountants – 2016* issued by the International Ethics Standard Board for Accountants (IESBA). This code of ethics is a comprehensive document that includes around 239 pages and it governs many different areas (see the content of the code of ethics in Table 3). All members of the professional accounting bodies are expected to follow the code and adhere to its guidelines (Institute of Chartered Accountants of Sri Lanka, 2016).

Table 3. Contents of the CASL code of ethics

Main sections	Contents
Part A: General application of the code	Introduction and fundamental principles: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour
Part B: Professional accountants in public practice	Professional appointments, conflicts of interest, responding to noncompliance with laws and regulations purpose, second opinions, fees and other types of remuneration, marketing and professional services, gifts and hospitality, custody of client assets, objectivity—all services, independence—audit and review engagements, and other assurance engagements
Part C: Professional accountants in business	Conflicts of interest, preparation and reporting of information, acting with sufficient expertise, financial interests, compensation and incentives linked to financial reporting and decision-making, inducements, responding to noncompliance with laws and regulations

Source: Extracted from CASL code of ethics, 2016

As shown in Figure 2, not only professional accounting bodies, but also universities and a number of degree-awarding institutions contribute to the Sri Lankan profession. The next sections, therefore, briefly explain the role of academic education in Sri Lanka and then the link between the academic and professional education systems in Sri Lanka.

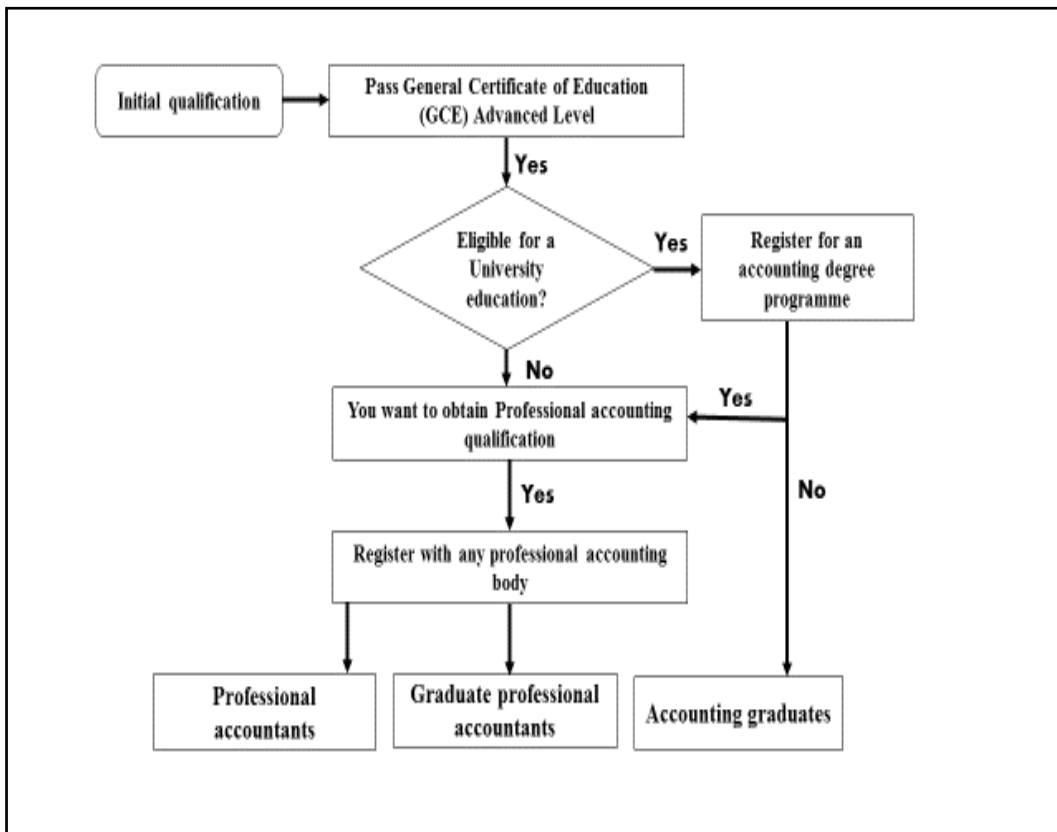
2.7.2 Academic accounting education in Sri Lanka

Academic accounting education in Sri Lanka developed by incorporating accounting as a subject under the management degree programmes of universities in Sri Lanka (Wijewardena & Yapa, 1998). The first management degree programme was introduced in 1959 by Vidyodaya University (currently known as the University of Sri Jayewardenepura). However, accounting degree programmes were not introduced until 1991 when the Department of Accounting at the University of Sri Jayewardenepura introduced its first B.Sc. Accounting degree programme (2012). However, at present, as shown in Figure 2, a number of state and foreign universities and various recognised degree-awarding institutes also contribute to the Sri Lankan accounting profession by way of offering academic accounting degree programmes.

2.7.3 Pathways to becoming a professional accountant in Sri Lanka

Figure 3 depicts the pathways to becoming an accountant through universities and professional accounting bodies in the Sri Lankan accounting profession. In Sri Lanka, the General Certificate in Education (GCE) Advanced level examination is the pathway through which entry is gained to both universities and professional accounting bodies.

Figure 3. The pathways to becoming an accountant in Sri Lanka.



Source: Author

School leavers who score the highest results in the commerce stream of this examination are permitted to enter management faculties in Sri Lanka's universities and to follow degree programmes specialising in accounting, management or commerce. They also can register with any professional accounting body. On the other hand, school leavers who have passed their GCE Advanced level (A level) examinations at the minimum level in any stream (e.g., science, mathematics or commerce) can register with any professional accounting body. However, the

majority of students enrol with professional accounting bodies immediately after completing their A level, high school qualifications (Wickramasinghe, 2015).

University accounting programmes in Sri Lanka have been recognised by a number of local professional accounting bodies. For example, the B.Sc. Accounting degree programme offered by the Department of Accounting at the University of Sri Jayewardenepura has been recognised by a number of local professional accounting bodies and students undergoing the degree have been granted a number of exemptions (Faculty of Management Studies and Commerce, 2012). The exemptions are detailed in Table 4. Even though university accounting undergraduates can obtain exemptions from professional accounting bodies, they, however, hardly ever utilise these exemptions.

Table 4. Exemptions granted by professional accounting bodies for B.Sc. Accounting (special) degree from the department of accounting, University of Sri Jayewardenepura

Professional accounting body	Exemptions granted
CASL	Certificate of Accounting and Business level I and level II (All subjects)
CIMA	Certificate Level and Operational Level (All subjects), Managerial Level (One Subjects)
ACCA	Knowledge and Skill Level (All nine Subjects)
CMASL	Foundation and Operational Level (All Subjects), Managerial Level (4 subjects out of 5)

Source: Prospectus, Faculty of Management studies and Commerce, University of Sri Jayewardenepura, 2012

Within this context, three categories of accountants in Sri Lanka can be clearly identified on the basis of their education level: professional accountants; graduate professional accountants; and, accounting graduates (see Figure 3). The first two groups of professional accountants hold a professional accounting qualification, while the third group of accountants does not. The second group of professional accountants (graduate professional accountants) hold both a professional accounting qualification and an academic degree. In contrast, the third group of accountants (accounting graduates) hold only an academic degree. This study

disregards the third group since they do not hold professional accounting qualifications.

Sri Lankan professional accountants may perform their duties either in accounting firms (public practice), business organisations, or the government sector. Accountants in public practice are members of the CASL which is the sole local accountancy body in Sri Lanka offering a public practice licence. Public accountants work as partners, managers, senior or junior auditors in accounting (audit) firms. The Big 4 international accounting firms have a presence in Sri Lanka along with many other local medium-size accounting firms (World Bank, 2004). However, in Sri Lanka, the Big 4 international accounting firms handle approximately 77% of company audits, including the majority of publicly traded companies, banks, insurance, and finance companies, while the other firms handle the remaining 23% (World Bank, 2004).

As Gunz (2012) claimed, there are two distinct roles for accountants in business. The larger group of accountants provides financial information and establishes measurement and control systems (accountants in business). The other group of accountants may act as auditors (public accountants). In contrast to public accountants, accountants in business have responsibilities to their employees as well as the profession. This group of accountants may face ethical conflicts when the management of the organisation that employs them requests them to act in a manner that does not comply with their professional obligations (Gunz, 2012). Finally, public sector organisations, including government ministries and departments, provincial councils, local authorities, and state-owned enterprises, also employ professional accountants.

2.8 Summary

The contextualisation of a research project is important to gain widespread understanding of the interpretations and explanations of empirical evidence. Covering considerable ground, this chapter focused on Sri Lanka's uniqueness in terms of its cultural and religious settings, and its economic and business

environment, before moving on to a discussion of the Sri Lankan accounting profession.

Sri Lanka was under colonial rule by the Portuguese, the Dutch, and the British for more than 440 years until it gained its independence in 1948. As a result of these waves of colonisation, Sri Lanka has evolved into a multicultural, multiethnic, and multilingual country. This chapter provided a brief discussion on the country's history along with the current religious, economic, legal, and business environment in Sri Lanka, in order to provide background awareness of the research context in the journey towards uncovering the factors influencing the ethical decision-making of Sri Lankan accountants.

The introduction of Buddhism, which forms part of Sri Lanka's long history, is considered immensely important, as it became an integral part of Sri Lankan culture. Therefore, an overview of Buddhism was provided in this chapter as a background to understanding its impact on the ethical decision-making of individuals in Sri Lanka. Finally, this chapter discussed the accounting profession in Sri Lanka. The evolution of forms of professional and academic accounting education and their linkage were explained, in order to elucidate the make-up of the Sri Lankan accounting profession, with different types of accountants being identified on the basis of their education and work context.

The following chapter explores the literature on ethics and ethical decision-making and focuses especially on the need for a framework for professional accountants in the context of Sri Lanka.

Chapter 3

A Literature Review: The Ethical Decision-making of Accountants

3.0 Introduction

This chapter reviews the extensive literature on ethics, focusing on the key themes motivating this study with regard to ethical decision-making and identifying the gaps in the literature that this thesis attempts to address. The research literature highlights that there is a need for accountants to have an ethical decision-making framework.

The chapter has seven sections. First, this chapter explores the nature of accounting ethics. Second, it reviews the literature that discusses ethics and the accounting profession, particularly that relating to ethical dilemmas in accounting. Third, issues of ethics in the Sri Lankan accounting profession are examined. Fourth, literature that relates to the responses of the accounting profession is reviewed, particularly those studies that highlight the role of ethical codes and ethics education. Fifth, the ethics literature that deals with normative and descriptive views is reviewed in order to understand what has been proposed in prior models. Sixth, this chapter highlights the need for an ethical decision-making framework for accountants. The final section presents a summary of the chapter.

3.1 Nature of Accounting Ethics

The primary concern of this study is to obtain the views of accountants who are faced with ethical dilemmas. It is, therefore, important to examine the nature of ethics and of accounting ethics in particular, before exploring how prior studies have treated this topic.

Ethics provides a philosophical core for understanding right and wrong. The term “ethics” originates from the Greek word “ethos”, meaning “character” (Perle, 2004).

Pojman (1995) describes ethics as a set of moral principles and standards of right or wrong. Treviño and Nelson (2007) define ethics as “the principles, norms, and standards of conduct governing an individual or group” (p. 13). Every individual, group or discipline has its own ethical beliefs and principles, which guide its actions (Awasthi, 2008; Duska, Duska, & Ragatz, 2011). The actions taken are referred to as either right (ethical) or wrong (unethical) (Duska et al., 2011). Therefore, ethics deals with what is right and wrong from an individual, group, or professional perspective.

Accounting ethics, in particular, is primarily a field of applied ethics and is part of business ethics (Kretzschmar & Bentley, 2013). Therefore, a definition of applied ethics is a good starting point for a discussion that asks: ‘What are applied and business ethics?’ and ‘How are they relevant to accountants?’ According to Kretzschmar and Bentley (2013), applied ethics “has to do with the interrelationships of morality with real-life issues such as the environment, the family, the media, economics, health care, business management and the legal systems” (p. 1). Therefore, applied ethics is a broad concept.

Lewis (1985) attempts to describe business ethics by claiming that, although there is no single definition that everyone can agree upon, there is agreement among researchers around four key concepts, which he outlines as follows: “Business ethics is rules, standards, codes, or principles which provide guidelines for morally right behaviour and truthfulness in specific situations” (p. 381). He further postulates that business ethics goes beyond virtue, integrity, or character by involving the application of what is morally right and truthful at the time of an ethical dilemma. A similar view is provided by Ferrell, Fraedrich, and Ferrell (2000), saying “most definitions of business ethics relate to rules, standards, and moral principles as to what is right or wrong in specific situations” (p. 6). Thus, the common belief is that business ethics mainly involve complying with laws and regulations. Business ethics, however, help professionals to evaluate right or wrong or good or bad actions. According to Treviño and Nelson (2014), right and wrong are identified by reference to what is considered acceptable behaviour for business and what ought to be considered acceptable.

While there is much public discussion of business ethics, there is relatively little concerning accounting ethics (Tormo-Carbó, Seguí-Mas, & Oltra, 2016). Accounting is essentially practice-based; therefore, this study adopts the above-quoted views of business ethics to examine how ethics operates in the profession. Gunz (2012) argues that accounting ethics should be placed in the contexts of professional and business ethics. In practice, accounting professionals use rules, regulations, and principles to evaluate right or wrong or good or bad actions. However, applying such rules and principles is not clear-cut when they are confronted with ethical dilemmas (Leung & Cooper, 2005). Cowton (2009) argues that “professional ethics, in general, and accounting ethics, in particular, will never be perfect” (p. 188). As the literature suggests, accounting ethics is part of professional and business ethics.

In addition to business and professional ethics, an accountant’s work ethics and personal ethical values cannot be overlooked. Stephenson (2016) claims that work ethics and personal ethics are neither mutually exclusive nor divisible. In that sense, accounting ethics is a broader concept that would be influenced by a person him/herself, along with work, professional and business values. To better understand accounting ethics, it is worth examining the arguments about the nature of the profession and its relationship with ethics.

3.2 Ethics and the Accounting Profession

Gaffikin (2009) claims that ethics is a dominant characteristic in all professions, including accounting. In particular, Flory, Phillips, Reidenbach, and Robin (1992) differentiate the impact of ethics on the accounting profession from its influence on other professions as follows:

A major difference between the influence of ethics in the legal and medical professions, on the one hand, and accountants, on the other hand, is that the first obligation of lawyers and doctors is to the client, while professional accountants must satisfy a broader obligation to third parties who rely on their reports. (p. 286)

The above statement shows that a broader obligation to third parties is a hallmark of the accounting profession; its members must act in the public interest. Cowton

(2009) also claims that accountants need to have a public interest role. While public trust is the foundation of the accounting profession, it is also essential for its survival (Carnegie & Napier, 2010). The principal way that “public interest” has been operationalised in the accounting profession has been through ethical codes issued by professional accounting bodies (Velayutham, 2003). These professional codes are the traditional means by which the accounting profession assures the maintenance of its reputation (Velayutham, 2003).

One criticism with regard to public interest is that professional bodies are primarily political organisations, whose main objective is to advance the interests of their members (Bakre, 2007). Parker (1994) also claims that the economic self-interest of accountants dominates their duty to the public interest. Pierce (2007) offers similar views:

The literature suggests that a tension exists between the sense of social responsibility (to fellow members and to the public at large) engendered by traditional professionalism with individual members and member firms subscribing to professional ethics, and the use and abuse by some contemporary practitioners of the commonly held respect for professions in a cynical way to promote self-interest. (p. 63)

In addition, Canning and O’Dwyer (2003) argue that the interests of clients supersede the public interest, leading to concerns that the profession fails to make the powerful accountable or to remain, itself, accountable. In the above context, the notion of a duty to serve the interest of the public through a code of ethics is questionable. Section 3.4.1 of this chapter describes the role of professional codes of ethics in detail.

By definition, accounting as a profession implies high levels of ethical complexity and vagueness in decision-making (Dellaportas et al., 2005). In the current environment, accountants who are appointed to management positions, both in business and in accounting practice, have a particular responsibility to act as ethical leaders. The work of accountants is thus challenged in terms of the nature of the work they do, i.e., work that includes numerous ethical dilemmas and/or conflicts (Marques & Azevedo-Pereira, 2009).

3.2.1 Ethical dilemmas/conflicts in accounting

As Ponemon and Glazer (1990) argue, accountants are challenged because ethical dilemmas or conflicts are inherent in their professional lives. In other words, ethical dilemmas for accountants are a fact of life (Leung & Cooper, 2005). The following definitions, drawn from the literature, illustrate the nature of an ethical conflict. It can be:

... a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties as, say, a public official, an employee, or a professional. (Macdonald et al., 2003, p. 68)

... any conflicts between the public interest and self-interest, loyalty to the entity and its governing body, may result in ethical dilemmas and possibly lapses. (Dellaportas et al., 2005, p. 13)

Ethical dilemmas can be dissimilar and complex and include the application of professional values and possible trade-offs between costs and benefits; therefore, it is impossible to relate ethical dilemmas to specific causes (Leung & Cooper, 2005). However, Jackling et al. (2007) list several factors that can contribute to ethical dilemmas: “self-interest, failure to maintain objectivity and independence, improper leadership and poor organisational culture, lack of ethical courage to do what is right, lack of ethical sensitivity and failure to exercise proper professional judgements” (p. 940). These unethical practices can be seen in past corporate scandals.

Among these factors, self-interest is considered a major source of unethical behaviour by accountants (Jackling et al., 2007). Caliskan et al. (2014) argue that most accountants do not understand the extent to which their practice has an ethical dimension until it is too late to respond effectively. Their failure to realise the multidimensional nature of ethical dilemmas can result in unethical decisions. In this context, the accounting profession has been often criticised for seeking to protect its self-interest rather than the public interest in light of publicised accounting scandals.

Conflict between public and self-interest can occur when accountants and auditors interact with different stakeholders (Keller et al., 2007). Chartered Global Management Accountant (2015)²³—*A Global Survey on Managing Responsible Business: A Global Survey on Business Ethics*—shows that 81% of respondents perceived that conflict of interest is a relevant ethical issue for their organisations. Because of conflicts of interest, accounting is also characterised by complex technical and ethical judgements.

In the decision-making process, what matters most is the professional judgement made by accountants (Davenport & Dellaportas, 2009). As Dellaportas, Thomsen, and Conyon (2012) explain, professional judgement is “innately linked to knowledge in that judgement relies on high levels of competence and expertise” (p. 90). As noted above, accounting is characterised by complex ethical judgements due to the nature of its conflicts of interest (Cohen, Pant, & Sharp, 2001; Kracher, Chatterjee, & Lundquist, 2002; Likierman, 1989). The notion of professional judgment is thus of significant relevance to this thesis, because accountants often engage in discretionary decision-making.

Additionally, accountants’ ethics are challenged by dilemmas caused by pressures and business issues (Chartered Global Management Accountant [CGMA], 2012). In business environments, especially those in emerging countries, top management can greatly influence the ethics of others, including accountants, and the overall ethics of an organisation (Chartered Global Management Accountant [CGMA], 2012). This suggests that the ethical climate of an organisation reflects that of its top management. Understanding the ethical culture in organisations where accountants work is an area that needs to be addressed in the context of Sri Lanka.

The national and international company failures that have occurred over the last few decades suggest that accountants have failed to adhere to the principles of

²³ This CGMA report is a study commissioned by Chartered Global Management Accountant (CGMA), which was formed as a joint venture by integrating two of the world’s most prominent accounting bodies, AICPA and CIMA. It draws on insights from nearly 2,500 Chartered Global Management Accountant designation holders and CIMA students working in both the private and public sectors. Sri Lankan respondents (259) participated in this survey and they represented 11% of the total, which is the third highest number of respondents by country. This report’s findings are based on a quantitative online survey that was undertaken from January to February 2015 to investigate attitudes to ethical standards.

integrity and honesty laid down in ethical codes (Bews & Rossouw, 2002). This is mainly because in such situations, accountants experience difficulties in choosing what is right and wrong. Therefore, an ethical dimension to accounting is inevitable and can arise at any stage of an accountant's work life. The ethics of accountants in Sri Lanka are of particular concern in this research; therefore, the next section looks at issues pertaining to ethics in the Sri Lankan accounting profession.

3.3 Issues of Ethics in the Sri Lankan Accounting Profession

As briefly discussed in chapter 1, the accountant's role and the independence of auditors in light of Sri Lanka's debacles are in question. This section discusses recent issues related to the ethical decision-making of accountants in Sri Lanka.

3.3.1 Scandals in Sri Lanka

Sri Lanka has experienced a spate of company collapses due to the unethical behaviour of professionals, including accountants and auditors (Nanayakkara, 2013). From the late 1980s onwards, corporate collapses involving finance companies²⁴ have been reported in Sri Lanka. The most significant concerns raised related to the ethical standards of professionals in Sri Lanka following scandals involving the Pramuka Savings and Development Bank (Pramuka Bank), which collapsed in 2002, and the Golden Key Credit Card Company (Golden Key), a part of the Ceylinco group of companies, in 2008.

Investigations into the collapse of the Pramuka Bank found that bank regulations had been breached and that it had engaged in several fraudulent practices. The bank had engaged in deceptive accounting practices and provided falsified documents (Nanayakkara, 2013). Further, Abeysinghe (2013) stated that the bank had used window-dressing in its published financial statements. According to Abeysinghe:

In order to transform an operating loss of Rs.16.5 million into a profit of Rs.8.3 million for the financial year ended March 31, 1999, Pramuka Bank resorted to several imprudent accounting practices in relation to

²⁴ For example, Mercantile Credit Company in the late 1980s, and Union Trust and Investment Ltd, House and Property Traders Ltd, Translanka Investments Ltd and Home Finance Limited in the 1990s.

income recognition. For instance, the bank recovered loan and interest due from customers by granting fresh loans to these customers. The Bank also manipulated lending facilities by granting fresh loans to other customers and transferring such funds to those accounts which were in arrears. (2013, p. 8)

As Abeysinghe (2013) makes clear, such deception is possible when audit committee members fail to monitor and control management judgements adequately. In such circumstances, as Jayasinghe and Uddin (2014) point out, neither the audit committee nor the board of directors of the bank had acted in the public interest.

The Golden Key debacle was another major Sri Lankan company collapse. As discussed by Nanayakkara (2013), the impact of the collapse of Golden Key “brought into light any irregularities that were evident in relation to the conduct and ethical behaviour of the directors and other professionals in the exercise of their duties” (p. 328). The collapse of Golden Key was associated with the mismanagement of funds by both directors and managers (Nanayakkara, 2013). Golden Key’s accountants manipulated and misled their customers by maintaining two sets of financial statements—one from a computer system and another fake set of financial statements prepared manually on Excel spreadsheets (2008, December 23). Additionally, despite potential irregularities, the auditors also issued clean audit reports for the companies that collapsed. The collapse of Golden Key created a significant impact to the whole economy of the country.

Jayasinghe and Uddin (2014) report that the behaviour of the directors and some senior officials, including accountants, was questioned following the failure of these two Sri Lankan financial institutions. Following these two major collapses, several other failures²⁵ in the finance company sector have since been reported.

The Sri Lankan media also reported faults and fraud in another finance company, Central Investments and Finance Limited (CIFL), which failed in 2011. Wijedasa (2013) provides several examples of fraudulent and unethical actions carried out by the management, including accountants, at CIFL: 1) postdated cheques were

²⁵ Industrial Finance Ltd failed in 2008, followed by Central Investments and Finance Ltd in 2010.

accounted for in the customer ledger cards without these actually being deposited in the respective banks; 2) the company did not hold legal ownership of six properties whose value amounted to Rs.984 million on the balance sheet and represented 97% of its real estate assets; 3) several investments accounted for in the balance sheet, i.e., mortgages amounting to Rs.775.2 million against five properties, were not registered with the respective land registries; and, 4) additional fraudulent real estate transactions were reported. All these fraudulent activities were unethical, extremely detrimental, and finally contributed to the company's failure.

As indicated in the above discussion, a number of Sri Lankan companies that acknowledged misstatements were forced into bankruptcy. These collapses and large-scale fraud raise the obvious question of why such incidents occur in Sri Lanka and who is accountable for these failures. Among many other factors, all these cases have resulted in severe questioning of accountants' and auditors' ethical standards. Although many of the lawsuits against the defendants in these cases were filed by investors, customers, suppliers, and employees, as mentioned in chapter 1, no legal action was taken against accountants and auditors (Daniel, 2015). Further, no other punitive sanctions have been issued by professional accounting bodies against accountants and auditors (Wickramasinghe, 2015; World Bank, 2004). Such mismanagement and accounting malpractices have resulted in a lack of confidence in the Sri Lankan accounting profession.

3.3.2 Ethics and corruption

In Sri Lanka, corruption and bribery constitute another ethical issue (Baniamin & Jamil, 2017). Corruption is believed to be more prevalent in developing economies and, as explained in chapter 2, Sri Lanka experiences significant corruption issues. The standard definition for corruption as established by the World Bank is "the abuse of public power for private benefit" (Ruud, 2000, p. 273). However, Transparency International suggests instead: "the abuse of entrusted power for private gain" (Transparency International, 2017). In this definition, many different practices are grouped together: bribery, embezzlement, fraud, favouritism, nepotism (Lindberg & Orjuela, 2011), extortion; bending of rules; gifts, and considerations, and commissions (Ruud, 2000). According to the CGMA Report

(2015), bribery is perceived as an important ethical issue that has continued to arise over the last two decades.

Everett, Neu, and Rahaman (2007) argue that corruption may be seen at individual, organisational, and country levels. Individuals become involved with corrupt activities mainly due to greed and opportunism. At the organisational level, corruption may also be seen as a lack of proper policies and procedures, or, where there is excess discretion, insufficient supervision or inadequate publicity (Everett et al., 2007). From an even broader perspective, corruption can result from fundamental economic, political, and institutional causes (Seagon, Booth, & Pearce, in press).

Several illustrations indicate the seriousness of the issue of corruption with regard to the ethics of professionals, including accountants, in Sri Lanka. In 2004, a major fraud in relation to Value Added Tax occurred in the Sri Lankan public sector. The unethical behaviour of a number of senior assessors from the Inland Revenue Department of Sri Lanka contributed to the fraud (Samarasinghe, 2006). At the time, this was considered to be one of the biggest tax scandals in South Asia (Samarasinghe, 2006).

Corrupt activities by Sri Lankan politicians and bureaucrats have been commonplace in Sri Lanka. Political corruption takes the form of accepting bribes, using state resources for personal gain, wastefulness, and extravagances paid for from public funds. For example, in 2007, widespread corruption came to the fore when a Sri Lankan parliamentary committee identified serious waste and corruption in 46 state-run corporations (Lindberg & Orjuela, 2011). In addition, patronage in the awarding of jobs or political positions, nepotism and irregularities in the granting of contracts, and the use of state resources in election campaigns were exposed (Lindberg & Orjuela, 2011).

In addition, the media have reported other cases of large-scale corruption in the public sector during the last decade in Sri Lanka. For example, Pinto-Jayawardena and Karunatilaka (2010) claim that the government-run Ceylon Electricity Board (CEB) incurred a debt of 15 billion rupees because the internal audit division of

CEB was deceitful and not up to standard, as it had not disclosed many of the board's fraudulent activities (Pinto-Jayawardena & Karunatilaka, 2010).

Another example of a large-scale fraud occurred in 2013 in the form of a fake voucher system. The Chairman of the National Gem and Jewellery Authority reported to the media that the fraud was uncovered as a result of a state audit (Sri Lanka Brief, 2016, April 22). Moreover, in 2015, the media reported that the Sri Lankan government had launched a criminal investigation into the country's national airline (Sri Lankan Air Lines) over allegations of large-scale corruption (Muttukumar, 2015, April 16). The report (Weliamuna Report) from the inquiry into these allegations made the following recommendations:

The Weliamuna Report while rightly recommending "criminal investigations" into instances of alleged corruption which includes the entire re-fleeting process with brand-new aircraft costing \$2.3 billion and "noting instances" where former Chairman Wickramasinghe and some others in top management should be "prosecuted" is apparently silent on proposed punitive action against the airline's auditors and Board of Directors for any negligence of fiduciary responsibility inimical to the public interest. (Muttukumar, 2015, April 16)

This report into alleged corruption and abuse of power in Sri Lankan Airlines has raised several questions, as indicated below:

Large-scale corruption will continue to thrive so long as professionals - particularly auditors and lawyers (i) are not held accountable (ii) "named and shamed" (iii) punished - for dereliction of duty and wrongdoing. Can any large-scale corruption occur without the complicity of professionals? Are not accountants and auditors the first line of defense against corruption in all entities dealing with financial resources? (Muttukumar, 2015, April 16)

In addition, there are many instances of both petty and grand corruption, particularly bribery taking place within public organisations in Sri Lanka (GAN Business Anti-Corruption, 2017). The prevalence of such corrupt practices, particularly bribery, is increasing, adding significant costs to business and the economy at large. The opportunity for bribery is usually coupled with poor governance measures and a lack of enforcement of enacted governance legislation, and is accompanied by poverty, low public sector salaries, and inconsistent

accountability (Seleim & Bontis, 2009). This thesis has cited just a few examples of the fraud and corruption-related activities that professionals, including accountants, engage in Sri Lanka, and there are numerous others.

According to Burnaz et al. (2009), in “countries that are perceived to be more corrupt, the ethical climate and ethical standards of the business world are also lower” (p. 373). Thus, in terms of the ethical standards of professionals, including accountants, it is appropriate to see Sri Lanka as an “ethics-unfriendly environment”, similar to Spain; one in which, as Tormo-Carbó et al. (2016) make clear, many fraud and corruption scandals have occurred.

This discussion highlights how corporate scandals and corrupt activities triggered calls for greater accountability by the Sri Lankan accounting profession. Substantial current evidence suggests that accountants do not exhibit sufficient levels of ethical maturity and reasoning to maintain public trust. The idea is that ethical issues concerning the accounting and auditing profession have yet to be addressed.

3.4 The Accounting Profession’s Responses

As the previous discussion makes clear, the Sri Lankan accounting profession faces some severe challenges. That discussion has also highlighted the fact that unethical behaviour on the part of accountants has propelled ethics to a position of major importance in a number of areas identified in the literature both globally and in Sri Lanka, such as the need to review the roles of codes of conduct and ethics education. In particular, CASL, being the dominant body in Sri Lanka, plays a significant role in enhancing and uplifting the accounting profession in the country. These areas are reviewed next, with a particular emphasis on how the Sri Lankan accounting profession has responded to this state of affairs.

3.4.1 The role of codes of ethics

In the Sri Lankan accounting profession, ethics are at present the responsibility of professional accounting bodies, and it is interesting to note that in CASL’s Code of Ethics, the first statement in the section on ethics is that “a distinguishing mark of

the accountancy profession is its acceptance of the responsibility to act in the public interest” (Institute of Chartered Accountants of Sri Lanka, 2016, p. 6). As a result, accountants have a duty to act as society’s watchdogs and are expected to put society’s interests above self-interest (Sikka, 2004). However, as discussed in chapter 1, this duty has been an issue, and the breach of public trust is visible in high-profile company collapses and corrupt activities both internationally and locally.

Following the high-profile accounting scandals, the role of ethical codes of conduct, particularly in maintaining the public’s trust, has been articulated in much of the literature in developed countries (Carnegie & Napier, 2010). It is important to look at the role of the ethical codes issued by professional accounting bodies in maintaining the highest standards of ethical behaviour in their members by being competent, and preserving their integrity and objectivity. As explained in chapters 1 and 2, the accounting profession is guided by codes of ethics and the existence of such codes is deemed important in guiding and directing members’ behaviour.

The presence of a code of ethics has a positive impact on the quality of the judgements of professional accountants (Pflugrath, Martinov-Bennie, & Chen, 2007). However, Chan and Leung (2006) suggest that there is no clear understanding among accountants about how such codes should be used in dealing with ethical issues, and how effectively the codes’ principles are enforced. In addition, Velayutham (2003) claims that the ethical principles in the code are not generally enforceable. As a result, it can be argued that the mere existence of codes cannot prevent unethical practices (Cowton, 2009). To be effective, any professional code of ethics needs to be strengthened by “developing effective strategies that oblige its members to pay attention to and translate fundamental ethical principles into the choices they make in their accounting practices” (Flanagan & Clarke, 2007, p. 493).

Chapter 1 pointed out that there are apparently enforcement issues with regard to regulations and legislation governing Sri Lankan professional accountants, mainly due to political interference. As noted in chapter 2, the Sri Lankan accounting

profession is largely self-regulated and the CASL acts as the main body regulating the profession (Yapa et al., 2017).

With regard to enforcement of ethics by the CASL, the World Bank (2004) report indicates that it is problematic. As detailed in the report, the CASL “has developed a mechanism to enforce the Code of Ethics, [sic] however their disciplinary actions appear to be light. And the cases are not made public” (p. 13). In addition, the Government Accountability Project (GAP) report published in 2009 highlights the indifference and inaction of the CASL against a complaint about the misconduct of Ernst & Young and PricewaterhouseCoopers (PWC) in the privatisation of Sri Lanka Insurance Corporation (SLIC) in 2005 (Edwards, 2009). In investigating this issue, a 10-member CASL ethics committee was appointed and this committee suggested that prima facie cases of professional misconduct by both Ernst & Young and PWC did exist (Edwards, 2009). This decision required that the council of the CASL appoint a disciplinary committee for the purpose of conducting an inquiry. However, according to the GAP, a disciplinary committee was not appointed. The report highlighted the fact that:

As auditors of SLIC, however, Ernst & Young had a greater obligation and responsibility to the government. It is now being argued before the court that the failure to investigate the conduct of Ernst & Young in SLIC transaction represents a serious breach of professional duty and fiduciary responsibility by the Institute of Chartered Accountants of Sri Lanka. (Edwards, 2009, p. 10)

The above example highlights that this was a serious breach of professional conduct by the CASL. Further, the Report on the Observance of Standards and Codes (ROSC) in Sri Lanka highlights that even though auditors of local Big Four international accounting firms generally follow auditing standards, the quality of their audits has been questioned, because some of these firms have taken up audit assignments based only on business considerations, which is not appropriate (Wickramasinghe, 2015). Another concern raised by the same report concerns the close relationships between auditors and clients that:

... may cause undue influence on auditors, resulting in noncompliance with appropriate audit procedures. It was also observed that in some cases,

auditors have the tendency of bringing material deficiencies to the attention of management through a management letter rather than giving a qualified audit opinion. (Wickramasinghe, 2015, p. 13)

A similar example was presented by Dunn and Sikka (1999). In this case, the audit regulators had covered up auditor noncompliance with legislation in the closure of the Bank of Credit and Commerce International (BCCI), which was considered to be one of the world's biggest instances of fraud at that time. Mitchell, Sikka, Arnold, Cooper, and Willmott (2001) claim that "in this system of chaps regulating the chaps, no accountancy firm has ever been prosecuted for delivering poor audits" (p. 4). In the context of Sri Lanka, Yapa et al. (2017) argue that with CASL being the statutory body, "it has a legal obligation to pursue complaints [sic] of professional misconduct and fraud by the practicing members" (p. 517). Given the criticism by Edwards (2009), Wickramasinghe (2015) and Yapa et al. (2017), it is still uncertain whether the CASL has taken any steps to overcome such concerns (See chapter 1). Therefore, the Sri Lankan accounting profession should focus on these issues, particularly with reference to the role played by the ethical codes issued by Sri Lankan professional accounting bodies and the disciplinary processes of the profession.

3.4.2 Ethics in accounting education

Ethical dilemmas associated with accounting functions arise within complex external environments (Gaffikin, 2009). Hines (1988) explains that financial statements not only define a company's financial performance, position and changes, but also describe "the size, health, structure and performance, in other words, the reality of an organisation" (p. 258). McPhail and Walters (2009) claim that accountants and accounting students may lack the ethical competencies needed to understand and analyse the broader organisational goals, the values of the changing accounting profession, and external environment needs.

Further, the growing number of corporate scandals has increased concerns about ethics education in accounting internationally (Chan & Leung, 2006). This highly researched area continues to highlight the importance of providing accounting students with ethics education and training (Low et al., 2008). However, the debate

over the role of ethics education in accounting programmes is ongoing in terms of its goal, content, and pedagogy (Apostolou, Dorminey, Hassell, & Rebele, 2017; Costa, Pinheiro, & Ribeiro, 2016; Tormo-Carbó et al., 2016).

Accounting educators have established a variety of conflicting goals for ethics education that were impossible to meet. Chan and Leung (2006) claim that education may allow accounting students to decide what is ethically right or wrong, but they may fail to behave ethically due to their inability to identify ethical issues. Low (2007) argues that the direction in accounting education needs to focus on minimising the risk of unethical behaviour by accountants. Similarly, Campbell and Zegwaard (2011) highlight that a sound professional ethics education will allow individuals to be critically aware and analyse practices around them.

Tormo-Carbó et al. (2016) examined the perceptions of Spanish students on the importance and goals of accounting ethics education. They suggest that universities should offer ethics courses in business degrees in “ethics-unfriendly environments” such as Spain, which have experienced many fraud and corruption scandals (Tormo-Carbó et al., 2016). They further highlight that “ethics-unfriendly environments” can be considered crucial research settings for further inquiry into the role of accounting ethics. As explained in chapters 1 and 2, as one of the most corrupt nations, Sri Lanka can also be treated as an ethics-unfriendly environment.

Accounting researchers argue that educators have been unable to meet the goals of accounting ethics education, arguing about its content and pedagogy. A study by Chelariu, Horomnea, and Tanasă (2014) shows a trend towards “extrinsic” and “intrinsic” visions of ethical education in the accounting profession. For example, they state that a trend towards “extrinsic” visions can be seen by: enforcing legislation relating to the profession; modifying the curriculum; and, emphasising ethics during accountancy education. In addition, “intrinsic” visions involve actions such as presenting models of ethical professional accountants; paying attention to the social and economic contexts in which professional accountants work; and,, paying attention to the moral and cognitive development of the student as a future professional (Chelariu et al., 2014, p. 378).

Stephenson (2016) argues that the foundation of ethical decision-making does not lie in a university curriculum, but rather with fundamental philosophical beliefs that are intrinsic to humans. Elaborating further, Stephenson (2016) suggests that each ethics course must have the objective of change, that is, to be a way of helping students understand and practise their positive, moral, and ethical dimensions as a fundamental part of their human character. The discussion also indicates that knowing how best to develop the ethical maturity of accountants is challenging when confronting ethical situations.

Boyce (2008, 2014) claims that ethics education in the accounting profession must be seen in the context of globalisation and should take accounting scandals into account. While he criticises the way in which ethics is perceived in capitalist societies, he also believes the way of perceiving ethics influences accounting education. He also believes that attention should be paid to the economic and social context within which individual accountants operate. An analysis of the ethics literature reveals that many authors internationally share common ideas on accounting ethics education and various methods to improve it.

Srinivasan (2012) claims that teaching, training, and research in business ethics are fairly new and evolving in the South and South East Asian region, including Sri Lanka. For the 12 countries in the region, there are almost no studies covering research in the field of business ethics except in India. Srinivasan (2012) found that business ethics was offered as an elective course in undergraduate and postgraduate courses in all 12 of the management schools surveyed. However, Srinivasan (2012) observes that the numbers of students enrolling in such electives was comparatively low. Therefore, according to Srinivasan (2012), there needs to be a growing focus in the region on combining education and experience with a clear articulation of the state of business ethics.

As shown in the World Bank report for 2015, even in some of the larger universities²⁶ in Sri Lanka, business ethics is not a core subject (Wickramasinghe, 2015). For example, ethics is incorporated in “Multidisciplinary case studies in

²⁶ Only two Sri Lankan universities, including University of Sri Jayewardenepura and University of Kelaniya, published their prospectus of accounting degree programmes online to date.

business” course that is offered to fourth year accounting students in University of Kelaniya. In addition, a core course namely “Corporate governance and ethics” is introduced by the Department of accounting, University of Sri Jayewardenepura to fourth year students with effect from 2016 (University of Sri Jayewardenepura, 2016).

In reviewing the literature, it was noticed that researchers’ interest in ethics has increased in terms of either normative and/or descriptive views. The following section describes the background to those views, while chapter 4 will discuss these models in detail.

3.5 A Brief Overview of the Ethics Literature: Theories and Models

Ethics literature represents both normative and descriptive views. The early ethics literature explains normative models that prescribe decision rules in making ethical decisions (Bose, 2012). The normative literature consists of a wide range of ethical principles explaining how individuals ought to make ethical decisions (see chapter 4). However, the application of ethical theories to analyse the decisions of individuals is limited in ethics research (Premeaux, 2004; Premeaux, 2009; Premeaux & Mondy, 1993), and there is also a lack of studies that have attempted to rationalise the ethical decision-making of accountants using ethical theories (Keller et al., 2007). The normative ethics literature has been criticised for its abstract nature, because its abstractness makes it difficult for individuals to relate it to the complex details of business decision-making (Cavanagh, Moberg, & Velasquez, 1995).

As a result, theorists developed positive models of ethical decision-making, because they were found to be more adaptable to empirical studies using the scientific method of inquiry (Fraedrich, Ferrell, & Ferrell, 2011). However, normative ethical theories such as teleological and deontological philosophies were used as a starting point in several positive ethical models (Hunt & Vitell, 1986).

There has been a growing interest in developing positive ethics models for ethical decision-making (Craft, 2013). Among these positive models, Rest’s (1986) model

remains the seminal work for the majority of the other ethical decision-making models and empirical studies (see chapter 4 for the details of Rest's model); however, this model does not consider the influences of any factors that frame ethical decision-making at the individual level.

As a result, several other models rectify this deficiency and contemplate the relationship between various individual, organisational, and contextual factors in various disciplines, including organisational behaviour and marketing (Bommer et al., 1987; Brass, Butterfield, & Skaggs, 1998; Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; McDevitt et al., 2007; Pimentel, Kuntz, & Detelin, 2010; Schwartz, 2016; Treviño, 1986). These models aim to describe the ethical decision-making process and to examine the influence of various factors on this process (see chapter 4). To date, none of the positive models/frameworks of ethical decision-making has specifically addressed accountants or the accounting profession.

Existing models explain that the decision-making process is affected by different variables, namely individual (sometimes referred to as personal) (Bommer et al., 1987; Ferrell & Gresham, 1985; McDevitt et al., 2007); organisational (sometimes referred to as situational) (Hunt & Vitell, 1986; Treviño, 1986); societal (known as environmental/cultural) (Bommer et al., 1987; McDevitt et al., 2007); issue-related factors (otherwise known as contextual) (Jones, 1991); and factors influencing the type and structure of social relationships (Brass et al., 1998).

As argued by Craft (2013), many empirical studies employ the four components suggested by Rest (1986). In particular, accounting researchers have indicated the usefulness of studying Rest's four components in accountants' ethical decision-making processes (Chan & Leung, 2006; Musbah, Cowton, & Tyfa, 2014). Craft (2013) claims that the majority of studies centre on ethical judgement, while awareness, intention, and behaviour have received little attention in the ethics research literature. The existing models and empirical studies in various domains explain the process of decision-making, while also suggesting that the process is affected by a number of variables.

3.6 Need for an Ethical Decision-making Framework for Sri Lankan Accountants

As discussed, none of the extant positive models/frameworks of ethical decision-making has addressed accountants or the accounting profession specifically. However, several models have been developed to explain the ethical decision-making process of accounting students/auditors in evaluating ethical dilemmas: the American Accounting Association's (AAA) model developed by Langenderfer and Rockness (1989); Lampe and Finn's (1992) model, and a model by Stuart and Stuart (2004).

Langenderfer and Rockness (1989) introduced the AAA model to accounting students with the aim of providing them with the tools they needed to recognise and evaluate situations when confronted by ethical dilemmas. The stages in the model are as follows: 1. Identify the facts; 2. Identify the ethical issues in the case; 3. Identify the norms, principles and values related to the case; 4. Identify the alternative courses of action; 5. Decide on the best course of action consistent with the norms, principles and values; 6. Evaluate the consequences of each possible course of action; and, 7. Take the decision. Gaa (1992) argues that the AAA model has several advantages and can be used as a way for accountants to analyse and deal with ethical issues. Armstrong (1993) shows the importance of using such frameworks, which suggests that merely exposing students to case studies, without the instruments for theoretical analysis, will not improve their ability to think critically. The AAA model is proposed as a practical teaching model enabling students to apply it in evaluating ethical scenarios.

Lampe and Finn (1992) suggest a five-element decision-making model integrating three models; those of Rest (1986), Trevino (1986), and Jones (1991). This five-element model for auditors involves the following steps: 1. Gain understanding; 2. Recognise impact; 3. Judge alternatives; 4. Assess other values; and, 5. Make a final decision. However, Lampe and Finn's (1992) model does not take into account the wide range of factors potentially affecting auditor decision-making. Gaa (1992) criticised the five-element model for its failure to address the full range of complexities of auditor judgements.

The ethical decision-making model developed by Stuart and Stuart (2004) proposes that accountants have to understand the ethical element of any economic decision and evaluate the consequences of alternate courses of action before selecting the best alternative. In Stuart and Stuart's (2004) ethical decision-making model, three steps are highlighted: 1. Identification, 2. Analysis, and, 3. Resolution. This ethical decision-making process is similar to Rest's ethical decision-making process.

These are, however, applied models rather than theoretical models and they only attempt to explain the decision-making process for accounting students in evaluating ethical dilemmas. Thus, a better understanding of accountants' decision-making processes will assist in untangling this complex process. Likewise, a better understanding of the factors that affect accountants' ability to determine that a situation pertains to ethical content will help organisations and academic institutions to develop programmes to prepare accountants for these situations.

With the aim of serving the public interest, the International Ethics Standards Board for Accountants (IESBA)²⁷ has initiated an ongoing process of setting high quality ethical standards for professional accountants and facilitating the convergence of international and national ethical standards (International Ethics Standards Board for Accountants, 2014). The project, launched in April 2014 by the IESBA to restructure the Code of Ethics for Professional Accountants, is ongoing. However, it has so far released: a consultation paper (November 2014); the exposure drafts on Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1 (December 2015) and Phase 2 (January 2017); and, the exposure draft on proposed revisions to the Code pertaining to the offering and accepting of inducements (September 2017). IESBA approved revisions to several sections and published a revised code of ethics in April 2018. Hence, the increasing importance of international regulations in ethics is still evolving in terms of rebuilding public trust.

²⁷ The IESBA is an independent standard-setting board that develops and issues high-quality ethical standards and other pronouncements for professional accountants worldwide. The IESBA develops the Code of Ethics for Professional Accountants that establishes ethical requirements for professional accountants.

The above discussion implies that global business ethics seem to be moving in a positive direction, with the availability of ethical codes, and the establishment of ethics education by professional accounting bodies and academic institutions. The ethical behaviour of an accountant reflects individual and situational impacts and is shaped by the environment in which that accountant works.

Additionally, accounting is an area of human activity that is considered to be a reporting function, requiring the application of complex technical skills (Reynolds, 2006) as well as moral involvement beyond adherence to a set of guidelines in the form of an ethical code. Dellaportas et al. (2006) argue that a person's value system is shaped early in life through social groups such as families, churches, and local communities, and, therefore, ethics education cannot change the ethical behaviour of individuals. Additionally, Prentice (2014) claims that individuals of good character, even if they are skilled at moral reasoning, may make wrong decisions or do bad things because they are "subject to psychological shortcomings or overwhelmed by social pressures, organisational stresses, and other situational factors" (p. 325) . These findings imply that the ethical behaviour of an individual reflects individual and situational impacts and is shaped by the environment in which that individual works.

It is evident from this review that there is an association between the ethical dimensions of accountants and some of the worst corporate scandals, fraud, and corrupt activities in Sri Lanka. In particular, the use of a professional code of ethics, corporate codes of conduct, and ethics education appear to be insufficient to provide a valuable basis for educating accountants in an ethical decision-making process. Thus, from a developing country perspective, and that of Sri Lanka in particular, it is important to identify the various factors that influence the ethical decision-making of accountants. Understanding individual, organisational, and situational factors has the potential to improve the decision-making processes of accountants without compromising ethical standards.

3.7 Summary

This literature review highlighted the importance of developing an ethical decision-making framework for Sri Lankan accountants and the accounting profession. It found that the prior literature had paid considerable attention to addressing issues raised in the wake of the corporate collapses that occurred in developed countries, but that less attention had been given to developing countries, including Sri Lanka.

This chapter revealed the nature of accounting ethics, demonstrating that they can be considered a part of professional, business, and applied ethics. The chapter also explained ethics in the accounting profession, a context where ethical dilemmas frequently occur. It also explored and provided insights into the issues surrounding ethics with regard to corporate scandals and corrupt activities in Sri Lanka.

Next, the chapter reviewed how the accounting profession has responded to ethical issues globally and in the context of Sri Lanka. These responses were discussed with regard to the role of codes of ethics and ethics education. However, to better understand the ethical decision-making process of accountants that leads to what may subsequently be viewed as their ethical or unethical behaviour, it was important to explore the wide-ranging ethics literature in brief. Thus, normative and descriptive views were briefly discussed. It was evident that no theoretical ethical decision-making models are available for the accounting profession.

In this context, the chapter highlighted the importance of developing an ethical decision-making framework by identifying factors that influence Sri Lankan accountants' ethical decision-making processes. This thesis argues the need for an ethical decision-making framework as a means of improving the ethical behaviour of accountants and restoring the credibility of the profession. To shed further light on the ethical decision-making process and the factors underlying it, the next two chapters discuss the theoretical lenses chosen for this study. Accordingly, chapter 4 explains ethical theories and the key ethical decision-making models relevant to this study in an attempt to better understand the factors that can aid the development of an integrated ethical decision-making framework to help accountants understand ethical dilemmas.

Chapter 4

The Role of Ethical Philosophies/Theories and Models in Ethical Decision-making

4.0 Introduction

In order to evaluate the ethical decision-making of Sri Lankan professional accountants, this chapter explores the key concepts in ethics, different ethical philosophies/theories, and prevailing ethics models. Understanding the extant literature in these areas helps to achieve the primary objective of the study, i.e., developing an ethical decision-making framework for accountants. In addition, the discussion in this chapter also helps to interpret the findings of the study.

The chapter begins with an inquiry into the key concepts of ‘ethics’, ‘morality’, and ethical decision-making, and then moves on to explain what an ethical theory is to provide several classifications for ethical theories. The second section discusses a number of the ethical theories, namely utilitarianism; deontology; rights theory; justice theory; and, religious ethics which were used to interpret the rationales the study participants provided for their decisions. In this section, the role of ethical theories in developing ethical decision-making models is also explained. The third section summarises the examination of moral development models and key ethical decision-making models/frameworks, in order to provide evidence to evaluate the ethical decision-making of accountants. A summary then concludes the chapter.

4.1 Key Definitions

4.1.1 Ethics and morality

In the process of searching for the meaning of ethics, it is noted that two terms, ‘ethics’ and ‘morality’, are frequently used interchangeably in some of the literature (Jones, 1991; Leung & Cooper, 2005; Pojman, 1995), while some other studies make a distinction between these two terms. While *ethics* originates from the Greek word ‘*ethos*’, meaning ‘character’, ‘*morality*’ originates from the Latin word

'*moralis*', meaning customs or manner (Perle, 2004). Several definitions are listed in the following table in order to distinguish these meanings and to differentiate between ethics and morality.

Table 5. Definitions of ethics and morality

Author	Definitions of ethics	Definitions of morality
Lee (1928, p. 460)	Ethics finishes its study with the conception of the good.	Morality begins with the assumption of what is right.
Weiss (1942, p. 381)	A man is ethical if he voluntarily obligates himself to live in the light of an ideal good.	A man is moral if he conforms to the established practices and customs of the group in which he is.
Perle (2004, p. 24)	The formal study of standards or conduct.	A person's own standards about conduct.
Harper (2009, p. 1066)	<ul style="list-style-type: none"> (1) Ethics is a matter of convictions. (2) Human lives make up the subject matter of ethics. (3) Ethical evaluations are scalar. (4) The convictions of ethics are self-regarding. 	<ul style="list-style-type: none"> (1) Morality is a matter of principles or rules. (2) Morality is concerned with treatment understood in terms of action. (3) Ethical evaluations are nonscalar. (4) The principles of morality are other-regarding.
Deigh (2010)	Ethics is a study of what are good and bad ends to pursue in life and what it is right and wrong to do in the conduct of life (p.7).	Standards of right and wise conduct whose authority in practical thought is determined by reason rather than custom (p. 10).

Source: Extracted from Lee (1928), Weiss (1942), Perle (2004), Harper (2009), Deigh (2010)

The definitions that are listed in Table 5 enable a clear distinction to be made between morality and ethics. Ethics refers to rules provided to an individual by external sources, while morals refer to an individual's own principles regarding right and wrong. Morality arises from individuals themselves, while ethics arises from societal forces external to the individual. Thus, individuals are moral when they consider something to be right or wrong based on their personal beliefs. In contrast, an individual acts ethically when he/she complies with societal expectations of what is the right thing to do. Weiss (1942) argues that ethics is a notion which is broader than morality.

Although, the function of ethics and morality is different, they share common characteristics such as describing or explaining conduct that is ‘right’ or ‘wrong’. Therefore, it is sometimes difficult to distinguish between ethics and morality in practice (Harper, 2009; Tenbrunsel & Smith-Crowe, 2008). Harper (2009) explains that “this distinction [*between ethics and morality*] is problematic on both a theoretical and a practical level” (p. 1063-1064). As a result, the terms ‘morality’ and ‘ethics’ have been considered to have similar meaning in many ethics studies (Jones, 1991; Leung & Cooper, 2005; Pojman, 1995).

While the ethics literature finds similarities as well as distinctions between ethics and morality, for the purpose of this study, these terms are defined as follows:

Ethics are societal principles and standards by which individual’s actions may be referred to as being either good or bad or right or wrong. Societal standards may be provided by the groups, organisations or community to which the individual belongs which includes professional organisations.

Morals are the principles by which an individual’s actions may be judged and referred to as good or bad or right or wrong based on his/her personal values which are shaped by culture and society.

Although ethics and morality were defined as above in relation to accounting, Horomnea and Paşcu (2012) claim that “the concepts of morality and ethics are related, associated, complementary, and indispensable to contemporary world [sic]” (p. 5). They pointed out several reasons for this association, emphasising “the interdependencies between the markets, the huge quantity of accounting information found on these markets, as well as the fraudulent manoeuvres to which financial-accounting information is subject” (p. 5).

4.1.2 Ethical decision-making

Ethical decision-making is described by Cohen et al. (2001) as “decision-making in situations where ethical conflicts are present” (p. 321). As discussed in chapter 3, ethical conflicts are not uncommon in the accounting profession. As a result, accountants in the professional environment are likely to be exposed to various

ethical issues in their complex work environments. (Marques & Azevedo-Pereira, 2009).

Given the current competitive environment and drive for performance, it is argued that ethical dilemmas may occur for three reasons: 1) when one group of stakeholders has an unfair advantage over other groups; 2) when the quality of the products or performance of service compromises the standards; and, 3) as a result of the influence of organisational culture, norms, objectives, and social status and reputation (Dellaportas et al., 2005). However, Davenport and Dellaportas (2009) argue that “the practical problems become apparent when it [ethics] involves the resolution of dilemmas involving conflicting principles” (p. 14). In such instances, individuals in organisations go through a psychological process/cognitive process in making decisions when they are confronted with ethical dilemmas (Rest, 1986). Bose (2012) sees ethical behaviour as being based on the golden rule, “do unto others as you would have them do unto you” (p. 19). Schwartz (2016) claims that ethical decision-making is a complex process that involves many factors that are interrelated and influence each other.

For the purpose of this study, ethical decision-making is defined as:

The psychological process that allows an accountant facing a situation involving an ethical dilemma to select the best course of action after evaluating alternative decisions as right or wrong.

Rest (1986) theorises the process of ethical decision-making and that process will be explained in section 4.4.1 of this chapter. Having explored and defined ethics, morals, and ethical decision-making, it is worthwhile to understand what drives the philosophical underpinnings of ‘right’ and ‘wrong’ in ethical decisions. In deciding right and wrong, most individuals want to follow rules and laws (Brooks, 2015). However, laws may not cover every situation and rules are not always clear. Therefore, it is the ethical foundation developed by individuals that helps to determine how they decide right and wrong (Brooks, 2015). Towards this end, individuals rely on various moral principles to guide their decision-making. Thus, to better understand the ethical behaviour of accountants, the next section explores some prominent ethical philosophies/theories in ethics literature.

4.2 Introduction to Ethical Philosophies/Theories

Hare (1997) defines ethical theory as “the study of moral concepts” (p. 43) and refers to the narrow meaning of ethical theory as “theory about the meaning and logical properties of the moral words” (p. 45). Prior research suggests that the decision-making of individuals is affected by different ethical dimensions (Premeaux & Mondy, 1993) that are represented by various ethical theories from the field of philosophy (Beauchamp & Bowie, 1983; Cavanagh, Moberg, & Velasquez, 1981). However, the absence of universally accepted concepts/principles on ethical behaviour has led to the emergence of various ethical theories that explain different approaches (Cavanagh et al., 1981).

Ethical theories have been classified by different authors in various ways. Beauchamp and Bowie (1983), for instance, indicate that in contemporary ethics philosophical studies, normative ethical studies are commonly divided into two major types: teleological and deontological, as presented in Table 6 below.

Table 6. Normative ethical theories by Beauchamp and Bowie (1983)

Type of theories	Central issue
<i>Teleological theories</i>	Moral worth of actions or practices is determined by the consequences of the actions or practices.
<i>Deontological theories</i>	Moral worth of actions is based on the duties.

Source: Extracted from Beauchamp and Bowie (1983)

Graham (2004) provides a further classification of ethical theories. Graham (2004) identifies eight ethical theories based on the answer to the central question in ethics “What is the best sort of life a human being can live?” (p. 176). Table 7 summarises his views of the central issues on the best sort of life for a human in different ethical theories.

Table 7. Eight theories of ethics by Graham (2004)

Ethical Theory	Central issue on the best life
<i>Egoism</i>	Best life is one in which one gets what he/she wants.
<i>Hedonism</i>	The good life is the life of pleasure.
<i>Naturalism and Virtue theory</i>	The outcome of a good and rewarding human life is happiness.
<i>Existentialism</i>	Human beings have freedom from their natural determinants and have the ability to rise above natural constraints and are responsible for their own fate and conduct.
<i>Kantianism</i>	You should always act in accordance with what rational thinking shows to be your duty.
<i>Utilitarianism</i>	Action which provides the greatest happiness is the best one.
<i>Contractualism</i>	The basis of morality is social agreement.
<i>Religion</i>	The ultimate source of moral authority comes from God.

Source: Extracted from Graham (2004)

Another classification of normative ethical theories which is offered by Dellaportas et al. (2005) includes consequential theories and nonconsequential theories. Dellaportas et al. (2005) recognise utilitarianism as a consequential theory which considers ‘good’ in terms of consequences, while rights and justice theories are identified as nonconsequential theories.

The above discussion makes it clear that various classifications for ethical theories exist in the literature. As a number of ethical theories prevail in the existing ethics literature, this study explores several of them to explain the rationales for the decisions of accountants. These theories include: utilitarianism; deontology; rights theory; theory of justice; and, religious ethics. In an attempt to interpret the rationales that professional accountants would follow when making decisions in ethical dilemmas, the principles, decision rules, and categorisations of each ethical theory are explained in the following sections.

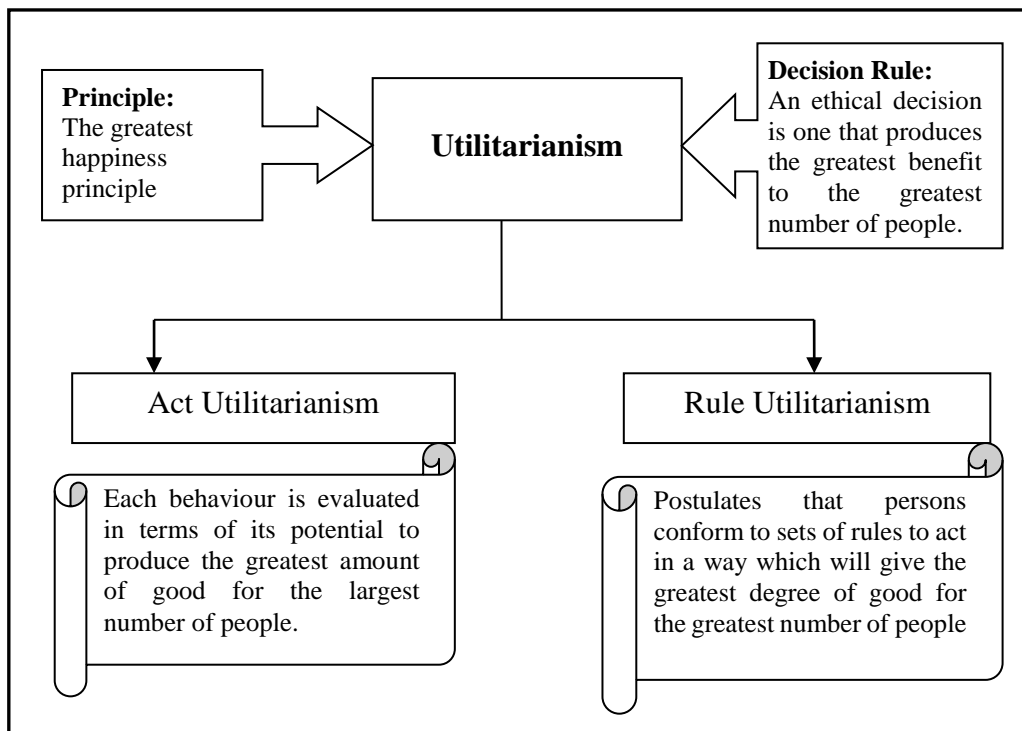
4.2.1 Utilitarianism

Utilitarianism is considered to be a teleological normative ethical theory as an action is judged on whether its end result maximises good (Beauchamp & Bowie,

1983); it is also a consequential theory since the criterion for judging whether an action is right or wrong relates to its consequences (Dellaportas et al., 2005).

Several moral philosophers have contributed to the development of the contemporary ethical theory of utilitarianism²⁸. Although, it takes different forms, the utilitarian moral principle rests on the “greatest happiness principle” (Beauchamp & Bowie, 1983). To this end, acts are right if they produce the greatest net benefit to society as a whole, where the social benefit equals social benefits minus social costs (Rachels, 1998). Duska et al. (2011) explained that “actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness” (p. 57). Happiness does not refer to one’s own greatest happiness, but to the greatest sum of happiness for all concerned. An overview of utilitarianism theory is depicted in Figure 4, which includes the principle, decision rule, and two branches of utilitarianism.

Figure 4. An overview of utilitarianism.



Source: Author

²⁸ Jeremy Bentham is considered as the father of classical utilitarianism. However, the major contribution to theory of utilitarianism has been conceded to John Stuart Mill. He proposed the foundation of the normative theory of utilitarianism as the greatest happiness principle (Beauchamp & Bowie, 1983).

As shown in Figure 4, there are two branches of utilitarianism, namely act utilitarianism and rule utilitarianism (sometimes referred to as act consequentialism or rule consequentialism) (Beauchamp & Bowie, 1983). Act utilitarianism argues that “in all situations one ought to perform that act which leads to the greatest good for the greatest number” (Beauchamp & Bowie, 1983, p. 25). In contrast, rule utilitarianism argues that “rules have a central position in morality which cannot be compromised by the demands of particular situations” (Beauchamp & Bowie, 1983, p. 26). LaFollette and Persson (2013) differentiate between these two types of utilitarianism as follows:

Act consequentialists hold that what makes acts morally wrong is that some alternative act would produce better consequences. Rule consequentialists believe that what makes acts wrong is not that they have inferior consequences but that these acts are forbidden by the rules that would produce the best consequences. (p. 238)

Premeaux and Mondy (1993) argue that a rule utilitarian decision-maker evaluates the rule under which the action falls. When following rules, they also argue that the decision may not lead to the greatest benefit in every situation; however, over the long term the rule will result in decisions that lead to the greatest social benefit. As an example, Premeaux (2009) found that US managers were much more likely to act in accordance with a “rule” philosophy. On the other hand, Premeaux and Mondy (1993) explain that act utilitarian decision-makers merely base their decisions on the outcomes or consequences of those decisions, and so choose the act which provides the greatest social good. As Fritzsche and Becker (1984) explain, however, two types of utilitarian decisions can be unethical, i.e., decisions that create personal gain at the expense of the society; and, decisions which result in relatively inefficient accomplishment of desired ends.

Moreover, it would appear that the application of the utilitarianism theory creates complications. De George (1995) claims that it is difficult to assess actions from a moral point of view and asks “How can we calculate consequences that are radically different from one another?” (p. 62-63). Premeaux (2009) found that US practitioners were much more likely to act in accordance with rule utilitarian philosophy. However, Premeaux (2009) questions whether the almost total reliance

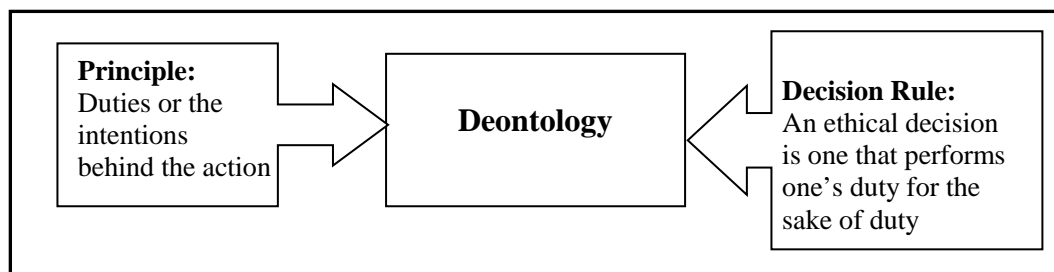
on the utilitarian philosophy by practitioners is in the best interests of society, and also in the long-term interest of businesses.

4.2.2 Deontology

Deontology derives from the Greek word for “duty” and it is a theory developed on a duty basis. The main proponent of deontological ethics is Immanuel Kant. Basically, the deontological approach to ethics focuses on the intention behind the action itself (Duska et al., 2011) and, unlike utilitarianism, this approach ignores the consequences of the action. Accordingly, deontology can also be categorised as a nonconsequential theory (Kamm, 2013).

Beauchamp and Bowie (1983) highlight the pure form of deontology as “performing one’s duty for the sake of duty and not for any other reason” (p. 34). Morally right actions are those carried out with a sense of duty (Duska et al., 2011). Figure 5 summarises the principle and decision rule of deontology.

Figure 5. An overview of deontological theories.



Source: Author

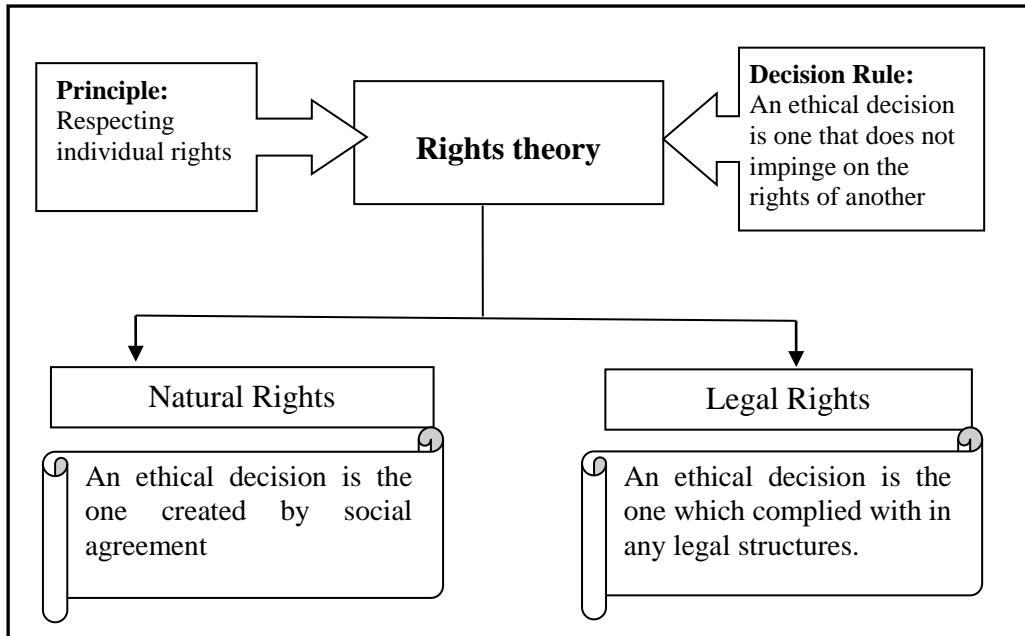
4.2.3 Rights theory

Rights theory is one of two nonconsequential normative ethical theories. Dellaportas et al. (2005) define rights theory as “good not by its consequences, but by its intrinsic value, regardless of whether its obedience produces undesirable outcomes” (p. 29). Dellaportas et al. (2005) further explain that the “rights principle stems from the belief that people have an inherent worth as human beings that must be respected” and that “a good decision is one that respects the rights of others” (p. 32). Rights theory explains that certain rights set by society are protected and

ethically correct since they are ratified by society (Premeaux, 2009). Therefore, the primary principle of rights theory is respecting individual rights (see Figure 6).

The importance of rights theory is highlighted by Pojman (1989) who claimed that “if you have a right, then others require special justification for overriding or limiting your right; and conversely, if you have a right, you have a justification for limiting the freedom of others in regard to exercising that right” (p. 702). Therefore, as depicted in Figure 6, an ethical decision is judged in rights theory to be a ‘right’ decision if it does not impinge on the rights of another.

Figure 6. An overview of rights theory.



Source: Author

Figure 6 details two groups of rights that are identified by Dellaportas et al. (2005): natural rights and legal/contractual rights. Natural rights are created by social agreement and are also referred to as either human rights or constitutional rights (Dellaportas et al., 2005). Accountants have a moral obligation to provide accurate financial and nonfinancial information due to the natural right to accurate financial information owed to various users in making choices on alternative decisions. The other category of right is legal right and it is the right which exists in any legal structures (Dellaportas et al., 2005). Accountants, as members of the accounting

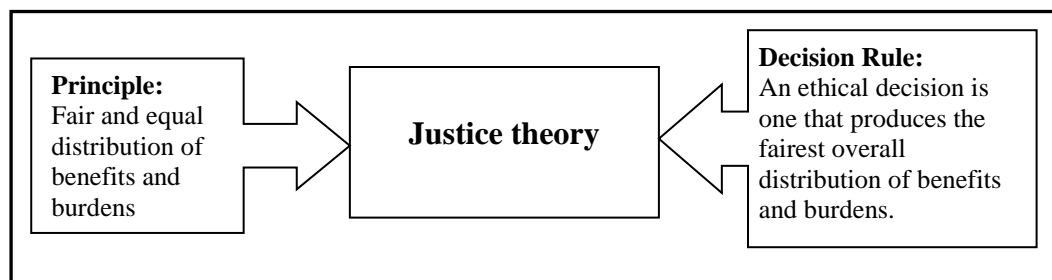
profession, always have a contractual right depending on the role they play either to their employer or client or both.

4.2.4 The theory of justice

According to Rawls (1958), justice is considered to be a virtue of social institutions or practices. Rawls also claims that the principles of justice are agreed to in an initial situation that is fair. Notions of justice are necessary since human society is a cooperative enterprise structured by various moral, legal and cultural rules, and principles under which individuals are obligated to work with others (Beauchamp & Bowie, 1983). Justice theory is another nonconsequential normative ethical theory Dellaportas et al. (2005).

In addition, Premeaux (2009) argues that “justice is basically giving people exactly what they deserve, no more or less, but the resulting subjectivity involved in making that determination can be problematic” (p. 15). He further explains that justice occurs in decisions which are based on equity, fairness, and impartiality. In line with Premeaux (2009), Figure 7 depicts the underlying principle of this theory and the decision rule that is based on fair and equal distribution of benefits and burdens.

Figure 7. An overview of justice theory.



Source: Author

4.2.5 Religious ethics

Religious ethics originated from the beliefs of the different religions in the world (Graham, 2004), including the major religions of Buddhism, Christianity, Judaism, Islam, and Hinduism. For example, Western civilisation has been most affected by the Christian moral perspective whereas Eastern civilisation has been more affected

by Buddhism. This study is conducted in the Sri Lankan context where the majority of people practise Buddhism as their religion; moreover, the majority of the professional accountants in the sample are also Buddhists. An overview of Buddhist ethics is discussed in the next section in order to explore Buddhism as an ethical theory.

An overview of Buddhist ethics

As explained in chapter 2, the foundation for Buddhist ethics is the “*Dharma*” (Keown, 2005, p. 3). According to Liyanarachchi (2008), the *Dharma* is the teachings of the Buddha and it provides the guidelines for reaching *Nibbana* as well as choosing the morally superior or right course of action. Right action basically means “to act gently and kindly and to be compassionate to all living beings” (Schmidt-Leukel, 2006, p. 65). The Buddhist path to *Nibbana* can be achieved through following the *Noble Eightfold Path*. As shown in Table 8, those guidelines fall into three groups based on what these guidelines aim at developing: wisdom (guidelines 1 and 2), morality (guidelines 3, 4, and 5) and, concentration (guidelines 6, 7, and 8) (Schmidt-Leukel, 2006).

Table 8. The Noble Eightfold Path to achieve the Fourth Noble Truth—*Marga*

Groups	The guidelines in the noble eightfold path
Wisdom	1. Right Vision or View 2. Right Intention or Thought
Morality	3. Right Word or Speech 4. Right Bodily Action 5. Right Livelihood
Concentration	6. Right Effort 7. Right Mindfulness 8. Right Concentration

Source: Extracted from Schmidt-Leukel (2006)

The Noble Eightfold Path offers guidance for one’s conduct and thus functions as the moral principle in Buddhism (Kalupahana, 1995). According to Liyanarachchi (2008), Buddha’s eightfold path is action-guiding, and is vital in understanding and evaluating human affairs. Although the path is difficult to practise, Buddhists should make an effort to understand how the Four Noble Truths work and then apply them in their daily lives.

Buddhists, therefore, practise morality in their ordinary lives through observing precepts and practising many virtues. Keown (2005) describes how Buddhist morality “may be likened to a coin with two faces: on one side are the precepts and on the other the virtues” (p. 12). Dharma provides ethical requirements in the form of duties or voluntary commitments which are expressed as 5, 8 or 10 precepts (Keown, 2005). The five precepts are considered as the moral duties of Buddhists in their day-to-day lives (see chapter 2 for the five precepts). The 8 and 10 precepts are an extension to the 5 precepts which are kept by Buddhists.

Apart from the precepts, there are virtues/rules that Buddhists need to follow for the right reasons and which are considered as the stepping stones to a moral life (Kalupahana, 1976). Among many virtues, the three key “cardinal virtues” are identified as: “non-attachment (absence of selfish desire); benevolence (attitude of goodwill to all living creatures); and understanding (knowledge of Buddhist teachings)” (Keown, 2005, p. 13). There are many other virtues prevailing in Buddhist ethics; these include : *dana* – “giving” or generosity (Keown, 2005, p. 13); “*Ahinsa* – non-harming or non-violence” (Keown, 2005, p. 14); “*Karuna* – compassion” (Keown, 2005, p. 15). According to Buddhist teachings, the task of virtues is to offset negative dispositions called vices (Keown, 2005). In this sense, Buddhist ethics can be classified as a form of virtue ethics in rationalising the actions of individuals.

Though the ultimate objective for Buddhists is *Nibbana* (sometimes referred to as *Nirvana* in the West), the immediate aim is to understand and resolve the difficulties that confront them in their daily lives and also to live in harmony with the environment and other fellow beings (Wickremeratne, 2006). For example, the *Noble Eightfold Path*, precepts, and virtues are methods of training the mind, speech, and, finally, the behaviour of an individual. Buddhist teachings, including Buddhist ethics, tend to influence the ethical behaviour of individuals. Particularly, Liyanarachchi (2008) claims that Buddhist ethics are important for the accounting profession for a number of reasons:

Firstly, major corporate collapses that also implicate accounting and its gate keeping role show that there is no substitute for personal integrity,

no matter how sophisticated the control systems are, for preventing such collapses. Secondly, accounting makes ideological claims about professionalism and ethical commitment of its members, thus highlighting the need for individual members to develop such strong commitment to ethics. (p. 146)

In that sense, it is worth examining whether individual professionals, including accountants, adhere to Buddhist ethics when making ethical decisions in their work and professional lives in the Sri Lankan context.

4.2.6 The role of ethical theories in empirical ethics studies

As indicated in the above discussion on ethical theories, different ethical theories provide alternative approaches to analysing right or wrong. Therefore, it is clear that there is neither a universally accepted moral principle (Pojman, 1995) nor a correct moral principle (Graham, 2004) through which one can analyse a given situation. As Fritzsche and Becker (1984) claim, each ethical theory explains certain aspects of moral behaviour that are not highlighted, or may even be omitted, by the other theories.

Nevertheless, these ethical theories use different approaches to answer the same question. Pojman (1995) asserts that the notion behind the existence of many ethical theories or the absence of a universally accepted moral principle is called ethical relativism. Pojman (1995) provides two reasons for ethical relativism and explains that “all moral principles are valid relative to cultural or individual choice” (p. 15). First, an individual’s action is treated as moral if and only if it is permitted by his/her society or culture, which is also called conventionalism. Second, the morality of an action is simply a personal decision called subjectivism (Pojman, 1995).

Ethical theories provide the grounds for analysing the ethical decision-making of individuals when they are faced with ethical dilemmas (Ferrell, Gresham, & Fraedrich, 1989). In such situations, individuals may knowingly or unknowingly rely on ethical assumptions as a basis for making their ethical decisions (Ferrell & Gresham, 1985). As Fritzsche and Becker (1984) argue, each decision that an individual takes can be interpreted in terms of either one or a combination of ethical theories.

Prior empirical literature in ethical decision-making has utilised a number of ethical theories, including utilitarianism, rights theory, and the theory of justice to rationalise the decisions of individuals (Fritzsche & Becker, 1984; Premeaux, 2004; Premeaux, 2009). These researchers argue each decision that an individual takes would, therefore, depend upon either a single or a combination of ethical theories.

A number of empirical studies on the ethical decision-making of trainee accountants/undergraduate accounting students have employed a range of ethical theories, including utilitarianism, egoism, and religious ethics (Keller et al., 2007; Modarres & Rafiee, 2011). Keller et al. (2007) found that religious principles, primarily Christian principles, play a foundational role in determining ethical standards of graduate accounting students in the USA. Modarres and Rafiee (2011) suggested that Iranian students' reliance on ethical principles, including utilitarian, deontological, and religious ethics is not strong in shaping their ethical standards. However, the studies mentioned here attempted to examine only the differences in ethical standards among accounting students. Overall, there is less of a focus in the empirical ethics literature on the application of ethical theories in the ethical decision-making of professional accountants.

4.3 Moral Development Models

Normative ethical theories, as discussed in the previous section, were unable to explain and predict the ethical decision-making of individuals. In order to fill this gap, it is, therefore, suggested that moral development models can help to explain the moral reasoning of an individual (McPhail & Walters, 2009). Two moral development models have been used in the accounting ethics literature to explain the moral reasoning of accountants: Kohlberg's model and Gilligan's model. These models are explained below.

4.3.1 Kohlberg's model: Cognitive moral development (CMD) theory

Kohlberg's (1969) CMD theory has been identified as one of the key theories within the context of the ethical decision-making of individuals; it is used to measure an individual's moral reasoning based on their responses to hypothetical dilemmas (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Treviño, 1986). This

model focuses on the moral judgements and cognitive processes of individuals when they face ethical dilemmas (McPhail & Walters, 2009; Smith, 1978).

Kohlberg (1969) identified three levels of cognitive moral development, namely the preconventional, the conventional, and the postconventional, based on the premise that ethical maturity progresses and can be measured by the different ways in which individuals organise and structure their social and moral world and associated experiences. Each of these three levels involves two stages (a lower and upper stage), which results in a six-stage process overall. At stages one and two of the preconventional level, an individual is concerned with consequences, particularly external rewards and punishments, and his/her own immediate interests (Kohlberg, 1981). In stage three in the conventional level, the motivation of ethical decisions is fulfilling the expectations of significant others, including a family or peer group; in stage four, the individual is capable of taking a broader perspective on society (Kohlberg, 1981). At stages five and six (postconventional), ethical decisions are motivated by the individual's own conscience, which focuses on universal principles or values (Kohlberg, 1981).

Kohlberg's (1969) theory suggests that individuals' development into the higher stages and levels is the product of age, education, and work experience. Prior research in accounting has found that factors such as age, education, and work experience do influence the ethical reasoning of individuals (Eynon, Hills, & Stevens, 1997; Kracher et al., 2002; Marques & Azevedo-Pereira, 2009; Ponemon, 1995; Weeks, Moore, McKinney, & Longenecker, 1999). Accordingly, higher education and longer work experience may provide stimulus for high moral development of an individual.

Rest (1979) developed a practical instrument for measuring the cognitive moral development of an individual, namely the Defining Issues Test (DIT). To date, many studies have employed the DIT (Eynon et al., 1997; Kracher et al., 2002; Rest, Narvaez, Bebeau, & Thoma, 1999). Trevino (1992) claimed that the DIT has become the most used assessment of CMD theory.

Moreover, studies of the ethical decision-making of accountants (Clarke, Hill, & Stevens, 1996; Dellaportas et al., 2005; Ponemon, 1992b) support the validity of Kohlberg's (1969) CMD theory. According to Dellaportas et al. (2005), for instance, accountants at the preconventional level of moral development are focused on satisfying their own interests. Dellaportas et al. (2005) argue, however, that the majority of accountants do not possess sufficient postconventional moral maturity to make independent judgements in public accounting.

4.3.2 Gilligan's model: Gender socialisation theory

As explained in gender socialisation theory, the differences between females and males stem from differential treatment during childhood (Gilligan, 1982). That is, males are socialised to be competitive, challenge others, and be the best. In contrast females are socialised to be empathetic, caring, and relationship-oriented. According to Gilligan (1982), these socialisation differences lead to variations in perception of ethics. In particular, Cohen, Pant, and Sharp (1998) claim that, while females are more likely to make ethical decisions in terms of relationships, caring, and compassion, males are more likely to consider ethical decisions in terms of rules, justice, and rights. According to socialisation theory, gender differences have been found in relation to accounting and business students (Borkowski & Ugras, 1998; Borkowski & Ugras, 1992; Cohen et al., 1998). For example, Musbah et al. (2014) found that female accountants were less sensitive than their male counterparts in recognising some ethical situations.

4.3.3 Structural theory

In contrast to Gilligan's (1982) gender socialisation theory, some believe that females and males may act similarly at work. Betz, Connell, and Shepard (1989) conceptualised this idea and suggested structural theory. The main reason for advancing the structural theory was that Betz et al. (1989) perceived that females and males responded similarly in the same occupational environment due to rewards and costs associated with their roles. Because these rewards and costs are highly salient, according to structural theory, they will override any differences between employees, particularly any socialisation differences between men and women. For example, some people's behaviours are rewarded at work by way of

praise, promotion and/or compensation, while others have some cost associated with them (e.g., criticism, demotion, and termination). Therefore, according to this theory, elements in the environment lead to a more uniform decision-making style among female and male employees (Betz et al., 1989). In line with structural theory, Musbah et al. (2014) found that there were no differences in the ethical judgement and intention of management accountants in terms of their gender.

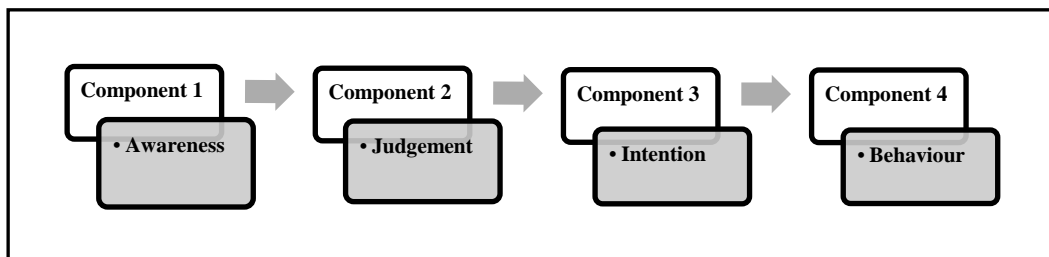
4.4 Key Theoretical Ethical Decision-making Models

In addition to normative theories and moral development models, a number of descriptive models have been developed in the ethics literature in order to understand how individuals actually act in a particular decision situation. Thus, this section reviews those descriptive models which are considered useful in developing an ethical decision-making framework for accountants. The first to be explored is Rest's (1986) model, the seminal model of ethical decision-making, followed by several other models proposed in the literature.

4.4.1 Rest's (1986) four-component model

Rest's (Rest, 1986) four-component model is a cognitive process which describes individuals' decision-making. The four components, namely awareness, judgement, intention, and behaviour have different functions and each step in the process is conceptually distinct (Rest, 1986). Rest (1986) also claims that one component may interact with and influence other components in the process, as depicted in Figure 8.

Figure 8. The four components of Rest's ethical decision-making model.



Source: Author

According to Rest (1986), an individual who exhibits a strong capability in one component may display different capabilities in other components. He asserts that “in short, the psychology of morality cannot be represented as a single variable or process” (p. 4). For example, individuals who can make sophisticated judgements at component two may not intend to take the best course of action at component three.

Component 1: Awareness

In this component, the individual recognises and identifies the situation as an ethical dilemma (Rest, 1986). However, individuals differ in their ability to perceive situations and vary in their sensitivity when it comes to identifying different ethical issues. Jones (1991) characterises ethical sensitivity as a process that comprises interpreting the dilemma, role-taking to see how various actions would affect the parties involved, and being aware that there is an ethical issue. For example, in a study evaluating auditor awareness, Lampe and Finn (1992) suggest that, in assessing understanding an ethical issue, auditors need to understand the particular situation in terms of what courses of actions are available, who would be affected by each course of action, and how the interested parties would regard such effects on their welfare.

Component 2: Judgement

According to Rest (1986), once a dilemma has been identified, an individual has to assess the alternatives and make a judgement about what is ethically right and wrong. For every dilemma, there can be several alternative courses of actions. Each alternative course of action has to be evaluated in order to choose the most ethical course of action when facing a particular ethical dilemma. When making a judgement, an individual uses Kohlberg’s (1969) CMD theory. Thus, this component is based on the individual’s cognitive stages of moral development and involves a logical process leading to moral decision-making (Rest (1986). Ethical judgment is linked to the decision-maker’s level of reasoning which, in turn, is linked to ethical behaviour (Treviño & Youngblood, 1990).

Component 3: Intention

Once a judgement is made, the individual formulates an intention to act ethically (Rest, 1986). This decision involves intention or motivation. An individual has to choose between alternative courses of action on the basis of his/her values. Lampe and Finn (1992) state that the individual must give priority to moral values above other personal values such that there is an intention to do what is morally right. However, Chan and Leung (2006) noted that deficiencies in intention occur when an individual considers that other values are more important than moral values.

Component 4: Behaviour

The final component, behaviour or character, describes whether an individual acts ethically or not. All of the previous components, awareness, judgement, and intention, are put together to create action.

4.4.2 Ethical decision-making models' explanatory factors

Although Rest (1986) explained the process of ethical decision-making of individuals, many other theoretical ethical decision-making models have also been developed to explain other factors that influence the process (see Table 9). Despite the differences in their foundations, the main purpose of building these models/frameworks is to describe and predict the process whereby an individual makes ethical decisions and the factors underlying such decisions. This section explains the models listed in Table 9.

Ferrell and Gresham (1985) recommend the contingency framework, the first model presented in Table 9, as a starting point for the development of a theory of ethical/unethical actions in organisational environments. Several contingent factors, including individual and organisational factors that influence the ethical/unethical decision-making of an individual are identified in their model. The individual factors identified are the knowledge, values, attitudes, and intentions of a decision-maker, whereas organisational factors relate to significant others (i.e., the values, attitudes, and norms from other members of disparate social groups), and to opportunity (a favourable set of conditions to limit barriers or provide

rewards). This model includes a feedback mechanism in which evaluation of past ethical/unethical behaviour has an effect on future behaviour, as mediated by individual and organisational factors. Ferrell and Gresham (1985) claim that their contingency model could be equally applicable to other functional areas of the organisation, including accounting.

Hunt and Vitell (1986) introduced a general theory of marketing ethics that claims that an individual's perception of an ethical issue leads to ethical judgments which then lead to an evaluation of alternatives and consequences, and, ultimately, the behaviour of marketers. This theory highlights a number of environmental factors including organisational, business, and cultural, as well as personal characteristics that affect perceptions of the ethical problem, alternatives, and consequences. In Hunt and Vitell's (1986) theory, marketers make an evaluation (both deontological and teleological) before making ethical judgements. These researchers also added feedback generated from the actual consequences of marketers' behaviour to guide personal experience in the future.

Treviño (1986) presents "a person-situation interactionist model" which begins with the existence of an ethical dilemma which is influenced by the individual's stage of cognitive moral development. She adopted the six stages of CMD suggested by Kohlberg (1969) which become operative in the ethical decision-making process (see section 4.3.1 for the six stages of CMD). This model shows that the relationship between the moral development of an individual and ethical behaviour is moderated by both situational factors including immediate job context, organisational culture, and characteristics of the work, and by individual characteristics including ego strength and locus of control. As she suggests, this model can be generalised to understand, examine, and predict the ethical decision-making of managers in organisational settings.

Table 9. Ethical decision-making models/frameworks explaining influential factors

Author	Model/Framework	Factors that influence ethical decision-making
Ferrell and Gresham (1985)	<i>A contingency framework</i>	Individual and organisational factors (including significant others and opportunity factors)
Hunt and Vitell (1986)	<i>A general theory of marketing ethics</i>	Personal, organisational, industry, and cultural factors
Treviño (1986)	<i>A person-situation interactionist model</i>	Individual and situational variables
Bommer et al. (1987)	<i>Behavioural ethical decision-making model</i>	Individual, personal, work, professional, government and legal, social factors
Dubinsky and Loken (1989)	<i>An ethical decision-making model</i>	Behavioural beliefs, outcome evaluations, normative beliefs, motivation to comply
Jones (1991)	<i>Issue-contingent model</i>	Social, cultural, individual, and organisational factors and moral intensity
McDevitt et al. (2007)	<i>A model of ethical decision-making</i>	Individual and situational variables
Pimentel et al. (2010)	<i>Framework for ethical behaviour in applied business</i>	Individual, organisational, and environmental variables
Schwartz (2016)	<i>Integrated EDM model</i>	Rationality and nonrationality factors and individual and situational variables

Source: Author

Bommer et al. (1987) present a comprehensive conceptual model that identifies factors affecting the ethical and unethical behaviour of managers in organisations. They describe over 20 variables that arise from a decision-maker's social, government and legal, work, professional, and personal environments. Further, they argue that ethical issues can arise at any stage of the decision-making process.

Dubinsky and Loken (1989) model provides an alternative approach based on the 'theory of reasoned action'. According to the theory of reasoned action, behaviour is determined by behavioural intentions which involve two factors: a personal or attitudinal factor and a subjective norms factor (Dubinsky & Loken, 1989). This model is based on the belief that when individuals are faced with a behavioural decision, they usually make a rational use of available information (Ajzen & Fishbein, 1980).

All of the above ethical decision-making models disregard the type of ethical dilemma involved in the decision-making process. Unlike the previous models, Jones (1991), however, suggests that ethical decision-making is contingent on the characteristics of the dilemma and so he proposes an issue-contingent model of ethical decision-making. He introduces the concept of moral intensity into the ethical decision-making theory. Jones' (1991) issue-contingent model is an integration of several models. Accordingly, he utilises four stages of Rest's (1986) model and several other models i.e., Ferrell and Gresham (1985), Hunt and Vitell (1986), Trevino (1986), and Dubinsky and Loken (1989) to build the issue-contingent model. As argued by Jones (1991), moral intensity and organisational variables directly and separately contribute to the ethical decision-making process. Further, Jones (1991) identifies six characteristics of an ethical issue (see chapter 5) that influence the ethical decision-making process. Cohen and Bennie (2006) identified the relevancy of Jones' model for conducting accounting ethics research using a sample of 37 audit managers and partners of all of the Big 4 multinational accounting firms in Australia.

McDevitt et al. (2007) develop a model to address the decision-making process of business managers. They adapted the 'Janis and Mann (1977)' model²⁹ of the ethical decision-making process and enhanced it through introducing a number of content variables in a situation that reflects an ethical dilemma. These variables include individual (age, religion, gender, moral maturity, ego strength, field independence, and locus of control) and situational (job, organisational, and environment) variables. This model provides a better understanding of the ethical behaviour of individuals when faced with ethical dilemmas and suggests variable interactions in the organisational settings.

Pimentel et al. (2010) develop yet another descriptive model of ethical decision-making. This model provides a comprehensive framework that explains the interaction between individual level variables (e.g., demographic variables, and position in the organisation), the organisational context, and the social and political

²⁹ The model by Janis and Mann in 1977 is not specifically developed as an ethical decision-making model. It provides a basis for understanding the process of resolving ethical conflict situations.

characteristics of the business environment. Accordingly, this model explains how individual, organisational, and environmental variables interact to influence the ethical decision-making path of an individual when interpreting an ethical issue.

The most recent model, 'the integrated ethical decision-making model' (I-EDM model) is proposed by Schwartz (2016). This model integrates several rationalist-based and nonrationalist-based approaches. The I-EDM model consists of two components: Rest's (1986) rationalist-based decision-making process and both rational (i.e., reason) and nonrational (i.e., intuition and emotion) variables as intermediaries along with individual and situational factors. Employing I-EDM model, Latan, Jabbour, and de Sousa Jabbour (2017) test whether the factors of nonrationality affect ethical judgements of auditors in Indonesia.

Examination of the above ethical decision-making models revealed their similarities and differences from one another. It was noted that several models differed in the conceptualisation of the process. As explained, Treviño (1986) integrated cognitive moral development as a way to analyse the moral judgement of individuals. The model developed by Hunt and Vitell (1986) explicitly recognised deontological and teleological evaluations as a construct of marketers' ethical judgments, something which was not addressed in other models. In addition, these models differ in the way they include numerous factors that influence the ethical decision-making process. For example, Jones (1991) suggested that the ethical decision-making process is impacted by the intensity of moral intention, a factor which was not seen in prior models. The recent I-EDM model also incorporated nonrationalist factors including emotion, intuition, and moral reasoning (Schwartz, 2016). The fact that there appears to be no consensus among prior ethical decision-making models on the decision-making of individuals, therefore, underlines the complexity of the issue.

4.5 Summary

This chapter explored ethics, morality, and ethical decision-making for the purpose of this study. It also explored a number of extant ethical theories which individuals may call upon to direct and guide their ethical decision-making. Accordingly, this

chapter discussed utilitarianism, deontology, rights theory, theory of justice, and religious ethics, including Buddhist ethics as these have particular relevance to this Sri Lankan-based study. Although different ethical theories agree on what would be the right action in a particular situation, they all proffer distinctive principles and decision rules as to why it would be the right action. The chapter then briefly explained key theoretical ethical decision-making models, in order to understand their purpose and the variables identified. It was noted that these models differed in the conceptualisation of the process and the factors influencing the process. In addition, it was noted that these models have been developed in various disciplines other than accounting. As noted in the discussion, there is a lack of theoretical models to explain accountants' ethical decision-making and, furthermore, that the models that do exist do not represent the accounting profession's ethical decision-making process.

The discussion of various ethical theories and models in the ethics literature provides useful theoretical lenses for the present study as it attempts to develop an integrated framework for the accounting profession. To that end, this chapter provides direction for the next chapter which further provides justifications for employing key theories and models to explain the ethical decision-making process and relevant factors that influence that process.

Chapter 5

Ethical Framework for the Accounting Profession: Key Theories and Factors Influencing the Ethical Decision-making Process

5.0 Introduction

The preceding chapter discussed key definitions, ethical theories, and ethical decision-making models that help to understand the ethical decisions that an individual makes. Taking existing models, theories, and empirical studies into consideration, this study attempts to develop an integrated ethical decision-making framework for the accounting profession. Towards this end, this chapter justifies key theories and factors that influence the ethical decision-making process of accountants by drawing on the literature that relates to this study.

The chapter is structured into four sections. The chapter commences with a discussion of key models and theories employed to develop the framework in this study. Second, the factors that influence the ethical decision-making process of accountants are discussed in detail. In particular, the chapter describes selected individual, organisational, professional, and moral intensity factors. The third section of the chapter constructs a preliminary ethical framework for the Sri Lankan accounting profession. A summary then concludes the chapter.

5.1 Key models employed: Choice and justification

Following chapter 4, this section addresses the choice of and justification of key models that are included in the framework. In particular the employment of Rest's (1986) model (section 5.1.1), other key models/frameworks to explain various factors (section 5.1.2), and the role of ethical theories (section 5.1.3) in the study's framework are explained next.

5.1.1 Employment of Rest's (1986) four-component model

As the preceding chapter's review of various ethics models/frameworks made clear, the ethical decision-making process forms the core of such models/frameworks. The framework of this study (Figure 9) draws on Rest's (1986) four-component model, a rationality-based process, for accountants' ethical decision-making. The employment of Rest's (1986) model in this study can be justified on several grounds.

First, Rest's (1986) model paved the way for the development of several of the other ethical decision-making models described in chapter 4 (Jones, 1991; Schwartz, 2016). In particular, as noted in chapter 4, Rest's model is employed to develop Lampe and Finn's (1992) five-element model to depict auditors' ethical decision process. Second, as argued by Jones (1991), Rest's model is the best fit for organisational settings. Accordingly, it offers the best fit with the study framework since accountants are attached to either business organisations, accounting firms or government organisations. Third, Rest's model has been validated in many accounting ethics studies when examining various factors that influence the ethical decision-making process (Chan & Leung, 2006; Cohen et al., 2001; Cohen & Bennie, 2006; Cohen et al., 1998; Musbah et al., 2014; Pierce & Sweeney, 2010; Sweeney, Arnold, & Pierce, 2010; Sweeney & Costello, 2009; Venezia & Venezia, 2010). For these reasons, the framework which is offered through this study is based on the ethical decision-making process suggested by Rest (1986).

5.1.2 Other ethical decision-making models/frameworks

Several other models are used to develop the framework, primarily to identify factors that influence the ethical decision-making process (Bommer et al., 1987; Brass et al., 1998; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; McDevitt et al., 2007; Pimentel et al., 2010; Schwartz, 2016; Treviño, 1986). Drawing from these models, the framework of the study also posits that the ethical decision-making process of accountants is impacted by a number of individual and situational/organisational variables. In addition, the framework also draws on Jones' (1991) issue-contingent model and in particular, moral intensity factors, are included. From the perspective of professional accountants, these factors may be directly associated with the four components in Rest's (1986) model.

5.1.3 Employment of ethical theories in the study's framework: The role of ethical theories in ethical decision-making models

The role of ethical theories is less dominant in ethical decision-making models. Only a few ethical decision-making models rely on ethical theories (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Pimentel et al., 2010). One example is Hunt and Vitell's (1986) ethical decision-making model. For them, the evaluation phase of a decision-making process is carried out through a combination of utilitarian and deontological assessments. Ferrell and Gresham (1985) employed four ethical theories: utilitarian, deontology, rights, and justice theories, in their assessment of individual decision-making. Pimentel, Kuntz, and Detelin, (2010) use teleological theories and deontological theories in their evaluation phase of the ethical decision-making model.

In addition, Treviño's (1986) ethical decision-making model kept ethical theories in the background, implying that the theories are reflected in the process. However, other ethical decision-making models ignore ethical theories completely and rely on theoretical foundations such as Kohlberg's (1969) cognitive moral development (Bommer et al., 1987; McDevitt et al., 2007; Treviño, 1986), and on social psychology (Dubinsky & Loken, 1989; Jones, 1991).

The prevailing ethical decision-making models, therefore, limit their focus to utilitarian, deontology, rights, and justice theories, and disregard other theories. Thus, this study fills a gap in the literature by incorporating several other ethical theories into the framework.

5.2 Factors that Influence Ethical Decision-making: Choice and Justification

As shown in Table 9 in chapter 4, prior models include numerous factors influencing the ethical decision-making process. Similarly, empirical ethics research has also been aimed at examining the influence of different factors on the ethical decision-making process of individuals. The reviews on ethical decision-making have identified that the majority of ethics studies have investigated the impact of different variables on Rest's (1986) four component model (Craft, 2013; Lehnert et al., 2015; Loe, Ferrell, & Mansfield, 2000; O'Fallon & Butterfield, 2005).

In particular, one or more of the components in Rest's (1986) model (recognition, judgment, intention, and behaviour) have been treated as the dependent variables in prior empirical research.

This study examines the influence of several factors on the accountants' ethical decision-making process. It examines five individual factors (gender, age, work experience, educational level, religion and religiosity); two organisational factors (organisational culture and the existence of a code of ethics or guidelines); one professional factor (familiarity with the codes of ethics issued by professional accounting bodies); and, three dimensions of moral intensity (magnitude of consequences, social consensus, and temporal immediacy).

From amongst the range of factors covered in the ethics literature, these particular variables are chosen for several reasons. First, although some of these variables, including age, gender, education, work experience, code of ethics, organisational culture, magnitude of consequences, and social consensus have been researched more than other factors in ethics research, the empirical results seem mixed (Lehnert et al., 2015; O'Fallon & Butterfield, 2005). Furthermore, little research has investigated these factors within developing countries (Musbah et al., 2014). Second, business ethics researchers have paid inadequate attention to some variables, for instance, professional education and some dimensions of moral intensity (e.g., temporal immediacy) (Craft, 2013; Lehnert et al., 2015). Third, religion and religiosity is a unique individual factor in the context of Sri Lanka and organisational culture is a distinctive factor among Sri Lankan organisations. Fourth, it is important to look at the familiarity with professional codes of ethics issued by Sri Lankan professional accounting bodies as a factor influencing accountants' ethical decision-making. The prior literature relating to the factors included in this study is reviewed below.

5.2.1 Individual factors influencing ethical decision-making

O'Leary and Pangemanan (2007) claimed that individual factors consist of two attributes which are unique to the individual decision-makers: demographic and psychological. Only a few measure psychological attributes, including locus of

control and cognitive moral development (Eynon et al., 1997; Ponemon, 1992b). However, the majority of the variables measure the demographic attributes of individuals, including gender, age, education or work experience in empirical studies (Eweje & Brunton, 2010; Musbah et al., 2014; Pierce & Sweeney, 2010).

Among a multitude of individual factors in the published ethics literature, this study includes only the following demographic attributes of accountants: gender, age, work experience, education, and religion. Thus, in developing an ethical decision-making framework for the Sri Lankan accounting profession, this study examines the impact of these factors on accountants' ethical decision-making.

Gender

The influence of gender as a driving factor that influences ethical decision-making has been acknowledged in many research disciplines (Marques & Azevedo-Pereira, 2009). In addition, gender has been identified in several ethical decision-making models as a factor that influences ethical decision-making (Bommer et al., 1987; McDevitt et al., 2007; Pimentel et al., 2010). Craft (2013) highlighted that “gender continued to dominate the past, present and future trends in research and ethical decision-making” (p. 255). As discussed below, many prior studies have been tested for gender-specific variables that would affect ethical decision-making.

Theoretically, gender differences have been explained using socialisation theory proposed by Gilligan (1982). A number of studies in accounting found that males are more ethical than females (Cohen et al., 1998; Marques & Azevedo-Pereira, 2009; Weeks et al., 1999). For example, Marques and Azevedo-Pereira (2009) found that men were more concerned about ethical issues than women were when making ethical decisions. Similarly, Cohen et al. (2001) found that women viewed certain actions represented in scenarios as less ethical than men did. In contrast, some studies suggested that females are more ethical than males (Beekun, Stedham, Westerman, & Yamamura, 2010; Elango, Paul, Kundu, & Paudel, 2010; Eweje & Brunton, 2010; Gill, 2010; Modarres & Rafiee, 2011; Pierce & Sweeney, 2010).

In contrast to socialisation theory, structural theory suggests that the work environment and the rewards and costs structure within the workplace will overcome the influence of gender differences caused by early socialisation (Betz et al., 1989). In that context, males and females respond and act on ethical issues in a similar way (Reidenbach, Robin, & Dawson, 1991). For example, Chan and Leung (2006) argued that gender is not suggested to be significantly associated with the ethical sensitivity of accounting students in a professional context. Similarly, some studies have shown no significant differences between the ethical decision-making of men and women (Hartikainen & Torstila, 2004; Serwinek, 1992).

Given that the overall findings have shown mixed results in relation to gender effects on ethical decision-making, this study examines whether female and male accountants do exhibit differences on the first three components of Rest's model.

Age

The literature recognises the importance of including age as a factor in ethics research (Eweje & Brunton, 2010). Several prior models suggested that age influences the decisions of individuals (Bommer et al., 1987; McDevitt et al., 2007).

Most of the prior research suggests that older individuals have higher ethical standards. As argued in Kohlberg's (1969) moral development model, individuals move from lower to higher stages of moral reasoning as they grow older. Several researchers have confirmed Kohlberg's theory. For example, Serwinek (1992) found age to be a significant predictor of ethical standards and further claimed that older workers had stricter interpretations of ethical standards. Similarly, Hartikainen and Torstila (2004) found that younger professionals seemed more likely to accept unethical actions in job-related scenarios. Weeks et al. (1999) observed differences in ethical judgment across career stages, with practitioners in later career stages displaying higher ethical judgment than those in earlier stages. Several other studies also suggested that older students tend to take more ethical decisions than younger students (Borkowski & Ugras, 1992; Eweje & Brunton, 2010). Chan and Leung (2006) claimed that older accounting students were more likely to recognise ethical issues than younger students were.

There is also evidence that younger individuals have higher ethical standards. Although Roozen, De Pelsmacker, and Bostyn (2001) claimed that older individuals with a lot of work experience tend to take ethical decisions, Conroy, Emerson, and Pons (2010) and Elango et al. (2010) found that younger professionals were more likely to be influenced by ethics than older managers. In their study conducted on college students, Sankaran and Bui (2013) observed that older students majoring in accounting were significantly less ethical than younger ones. On the other hand, other researchers have found no relationship between age and the ethical decision-making process (Kuntz, Kuntz, Elenkov, & Nabirukhina, 2013; Pierce & Sweeney, 2010).

Therefore, given Craft (2013) claim that the age factor continues to show mixed results in the ethics literature, this study examines whether the age of Sri Lankan accountants influences their ethical decision-making process, especially in terms of their ethical awareness, judgement, and intention.

Education level

The “Framework for International Education Standards for Professional Accountants” (2009), published by the International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC), identifies three key qualifications which an accountant needs to acquire: general education through a university; professional level accounting education through a professional accounting body; and, practical experience from a business organisation. As discussed in chapter 2, Sri Lankan professional accountants may not necessarily hold these three key qualifications. Thus, in developing an ethical decision-making framework in this study the academic and professional education level of Sri Lankan accountants is taken into account as an individual factor.

The relationship between education and ethical decision-making has been extensively studied in the ethics literature. A number of ethics models have emphasised the role of education as an influencing factor on ethical decision-making (Bommer et al., 1987; Ferrell & Gresham, 1985; Hunt & Vitell, 1986;

McDevitt et al., 2007; Pimentel et al., 2010). Craft (2013) concluded that the influence of education on ethical decision-making in the empirical ethics literature is mixed.

Kohlberg (1981) argued that the length of formal education positively impacts one's moral development. For example, the findings from Modarres and Rafiee (2011) study of bachelor's and master's students in four Iranian universities indicated that the students' level of education influenced the ethical decision-making of Iranian students. Sweeney and Costello (2009) found that accounting students could recognise an ethical dilemma better than nonaccounting students. Pierce and Sweeney (2010) studied the impact of education level on ethical judgement and intention on the basis of type of undergraduate degree (business or nonbusiness) and a postgraduate degree. This study produced mixed results. They found that respondents with a business degree showed higher ethical intention and lower judgement than their counterparts who were nonbusiness degree holders. On the other hand, Pierce and Sweeney (2010) suggested that while holding a postgraduate degree was not associated with ethical judgement, those with no postgraduate qualification reported higher ethical intention. These examples have confirmed that education is an influencing factor in the ethical decision-making process.

However, a few studies have found that education level had no relationship with the ethical perspectives of individuals. Cohen et al. (2001), for example, suggested that education had minimal effect on ethical awareness of the issues. In particular, they compared accounting professionals and graduate students in Canada and found that professionals viewed some actions as significantly less ethical than did the students. According to Chan and Leung (2006), accounting undergraduate students' academic achievement (i.e., self-reported grade point average) was not associated with their ability to understand ethical issues in a professional context. Marques and Azevedo-Pereira (2009) indicated that educational level does not impact the ethical judgements of Portuguese chartered accountants. Similarly, Musbah et al. (2014) found a lack of association between the educational level of Libyan management accountants (high school or equivalent, higher department, bachelor's and master's or higher) with the first three components of Rest's (1986) model.

This particular study considers a number of dimensions in relation to the education of professional accountants in Sri Lanka. The first dimension is the academic educational level of accountants based on whether they hold only a high school qualification or higher qualifications, including a diploma, undergraduate, or graduate degree. It also examines the effect of taking an ethics course at any academic level on the decision-making process. The second dimension concerns the professional qualification of accountants. In particular, accountants' memberships, including CASL, CMA, CIMA, ACCA or multiple professional memberships, are considered. In connection with accountants' professional qualifications, the effect on decision-making process of taking an ethics course in any professional qualification is also examined.

Work experience

This study also considers work experience for two reasons: a number of ethical decision-making models have emphasised the importance of work experience in the ethical decision-making of accountants (Bommer et al., 1987; McDevitt et al., 2007; Pimentel et al., 2010), and prior empirical research has found that differences in the ethical decision-making process are associated with work experience (Keller et al., 2007).

Various factors can be embedded in work experience. These include the type of employment, the level of employment, and the individual's length of experience and all three can impact ethical decision-making (Craft, 2013). However, most prior studies have taken length of experience as a measurement of work experience.

Kohlberg's (1969) theoretical framework suggested a positive relationship between work experience, particularly length of experience, and moral development. This proposition is confirmed by several studies which also suggested a positive relationship between work experience and ethical behaviour (Glover, Bumpus, Sharp, & Munchus, 2002; Sweeney et al., 2010). According to these studies, experience may be associated with higher awareness of what is ethically acceptable. In contrast, some other studies have found a negative relationship between experience and auditors' ethical behaviour (Ponemon, 1995; Thorne, Massey, &

Magnan, 2003). However, Eweje and Brunton (2010) recorded mixed findings, in particular, differences in ethical judgment related to work experience. Some other studies have shown that length of work experience did not significantly explain differences in ethical decision-making (Karcher, 1996; Pierce & Sweeney, 2010). Likewise, meta-reviews in ethics studies conclude that empirical research continues to present mixed and inconsistent results for work experience and ethical decision-making (Craft, 2013; O'Fallon & Butterfield, 2005; O'Leary & Pangemanan, 2007).

This study considers three dimensions of the work experience of the Sri Lankan accountants who participated in it: work organisation (accountants working in accounting firms, industry, and government organisations); level of management (junior, middle, and senior); and, length of experience (number of years of work experience). In particular, on the basis of these dimensions of their work experience, differences in the ethical decision-making process of professional accountants in Sri Lanka are examined.

Religion and Religiosity

Ethics and religion are similar in concept because religion also provides guidance to individuals as to what is right and wrong. Hunt and Vitell (1993) claimed that “unquestionably, an individual’s personal religion influences ethical decision-making” (p. 780). Thus, one’s ethical decision-making can be associated with one’s religion. Further, the nature of the influences of different religions may have different impacts on ethical decision-making (Singhapakdi, Salyachivin, Virakul, & Veerayangkur, 2000).

In addition, one’s religiosity is believed to be associated with one’s moral identity (Bernardi, Lecca, Murphy, & Sturgis, 2011). Vitell et al. (2009) defined the concept of religiosity as “the degree to which an individual is a religious person apart from his/her particular religious beliefs and the way that those beliefs are manifested” (p. 602). Religiosity is also defined as “a strong belief in moral principles and doctrines; this belief, in turn, can translate into ethical behaviour in everyday life” (Devonish, Alleyne, Cadogan-McClean, & Greenidge, 2009, p. 169).

Cornwall, Albrecht, Cunningham, and Pitcher (1986) argued that religiosity is a complex phenomenon consisting of three components: cognitive (what someone believes); affective (the degree to which people are committed to their religion or motivated towards religion); and, behavioural (manifestation of being religious through various activities). Two types of motivational orientation (affective component) have been identified: intrinsic and extrinsic. In terms of understanding whether people have extrinsic or intrinsic motivation orientation, Allport and Ross (1967) differentiation is useful and succinct, as they claimed that “the extrinsically motivated person *uses* his religion, whereas the intrinsically motivated *lives* his religion” (p. 434). Some people are intrinsically oriented, which means that “their religiosity is a meaning-endowing framework in terms of which all of their life is understood” and some are extrinsically motivated, which means that “the religious convictions and norms are more likely to be translated into conduct” (Cornwall et al., 1986, p. 440)

Studies have found different results as regards the impact of religiosity on ethical decision-making. Some studies found a positive relationship between religiosity and ethical decision-making (Clark & Dawson, 1996; Keller et al., 2007; Razzaque & Hwee, 2002; Wimalasiri, Pavri, & Jalil, 1996). For example, Keller et al. (2007) found that religiosity has an impact on the ethical decision-making of accounting students in the United States of America. They argued that ethics is a “very personal issue that is grounded in learned behaviour and learned attitudes” (p. 306), and their findings suggested that “religion provides a strong foundation for the behaviours that people choose in cases where ethical judgement is needed” (p. 310).

In contrast to a positive relationship between religiosity and ethical decision-making, Vitell et al. (2009) suggested that religiosity is negatively related to consumers’ ethical decision-making. Several other studies claimed that the influence of religion shows mixed results (Bernardi et al., 2011; Singhapakdi et al., 2000). For example, Singhapakdi et al. (2000) found that religiosity was positively related to ethical problem recognition and the behavioural intentions of managers in Thailand, a country which is dominated by Buddhist culture. However, that positive relationship held for only two of the four scenarios which appeared to be in violation of Buddhism but not for other scenarios. Given the mixed findings in

prior studies, it is important to continue to study the impact of religiosity on ethical decision-making, particularly for accountants in the unique context of Sri Lanka where the majority are practising Buddhism.

A number of studies have suggested different approaches to operationalise religiosity in order to determine whether there is an association with ethical decision-making. Cutting and Walsh (2008) argued that researchers have offered at least 177 scales to measure religiosity, but that these scales would be renormed for the population of a new study. Many prior studies have measured religiosity using various dimensions of extrinsic motivations. For example, Wilkes, Burnett, and Howell (1986) measured religiosity in a Christian context; they included church attendance, the importance of religious values, confidence in religious values, and self-perceived religiousness. Singhapakdi et al. (2000) used “temple” instead of church and included three dimensions: temple attendance; perceived importance of religious values; and, confidence in religious values in the Buddhist context of Thailand.

Piedmont (2009) argued that religious sentiments can vary over time and across cultures. Piedmont (2009) developed a scale called the assessment of spirituality and religious sentiments (ASPIRES). It uses several measurements to assess: 1. spirituality: the spiritual transcendence scale; and, 2. religious sentiments: the religiosity index (RI) and religious crisis. Piedmont, Werdel, and Fernando (2009) validated the ASPIRES scale within a diverse religious sample from Sri Lanka and the results confirmed the structural validity and applicability of the measure within this ethnic group. Their results further supported the cross-cultural applicability of the instrument. The RI measures the frequency of involvement in religious rituals and practices and also examines the extent to which religious practices and involvements are important (e.g., How often does one pray? How often does one attend religious services?). This study employs the ASPIRES religiosity index (RI); it consists of four statements which measure extrinsic religiosity.

In addition to looking at extrinsic religiosity, several prior studies have measured intrinsic motivations of religiosity (Allport & Ross, 1967; Chen & Tang, 2013; Clark & Dawson, 1996; Kurpis, Beqiri, & Helgeson, 2008; Mazereeuw-van der

Duijn Schouten, Graafland, & Kaptein). Following Mazereeuw-van der Duijn Schouten et al. (2014) approach, this study uses their intrinsic motivation scale with several changes. Both extrinsic and intrinsic motivations measures, with slight changes to their nomenclature, are used to capture the religiosity of accounting professionals of any religion in Sri Lanka and to investigate the impact of religiosity on ethical decision-making (see chapter 6 for the detailed statements).

5.2.2 Organisational factors influencing ethical decision-making

Organisational variables are defined as “characteristics of the decision setting (versus characteristics of the decision maker or the decision) that should influence the decision-making process and outcomes” (Ross & Robertson, 2003, p. 214). Most ethical decision-making models recognise the importance of incorporating factors arising from the organisational or work environment (Bommer et al., 1987; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; McDevitt et al., 2007). In particular, Bommer et al. (1987) argued that the corporate goals, stated policy, and corporate culture of an organisation are the factors arising from the work environment that influence decisions to act ethically or unethically. McDevitt et al. (2007) suggested that organisational context variables, including organisation culture and ethics, rewards and sanctions, and executive leadership, influence ethical decision-making. First, this study examines whether there are any differences in the ethical decision-making process based on the availability of corporate codes of ethics. Second, this study examines the influence of the ethical culture of the organisations in which the accountants work on the ethical decision-making process.

Corporate code of ethics

At present, the establishment of a code of ethics for employees is the standard in large organisations (Webley & Werner, 2008). Schwartz (2004) defined a corporate code of ethics as a “written, distinct, and formal document which consists of moral standards used to guide employee and/or corporate behaviour” (p. 324) Several ethical decision-making models incorporated codes of ethics into their models (Brass et al., 1998; Ferrell & Gresham, 1985; Treviño, 1986). In addition, many researchers have argued that ethical decision-making in organisations can be influenced by a corporate code (Craft, 2013; Ford & Richardson, 1994; Loe et al.,

2000). In particular, many empirical researchers have suggested that the availability of a corporate code can guide employees, and that it is, thus, a necessary tool for an organisation (Laczniak & Inderrieden, 1987; Stevens, 1994; Webley & Werner, 2008). However, several researchers argued that codes of ethics may of themselves not be adequate to ensure that individuals within organisations make ethical decisions (Musbah et al., 2014; Verschoor, 2002; Webley & Werner, 2008). With regard to the necessity for and effectiveness of corporate codes of ethics, studies in the Sri Lanka context are lacking. Thus, this study explores whether the availability of corporate codes in the organisations in which accountants' work makes any differences to the ethical decision-making process.

Organisational culture

A professional who joins an organisation where ethical issues arise also brings his/her own particular individual characteristics with him/her. Therefore, ethical or unethical decision-making in practical situations is not produced simply because of individual characteristics but results from interactions between the individual and the organisation. Thus, organisational culture can play an important role in the ethical decision-making of individuals working in organisations (Campbell & Göritz, 2014). Treviño (1986) defined organisational culture as:

the common set of assumptions, values and beliefs shared by organisational members. Organisational culture influences thoughts and feelings, and guides behaviour. It manifests itself in norms, rituals, ceremonies, legends, and the organisation's choice of heroes and heroines. (p. 611)

More specifically, organisational ethical culture is explained as “the ethical environment within the firm created through management practices and espoused values that may be the most important deterrent to unethical behaviour” (Douglas, Davidson, & Schwartz, 2001, pp. 104-105). Accordingly, organisational ethical culture can guide the decision-making of individuals in particular situations and contribute to an individual's moral development (Treviño, 1986).

Many ethical decision-making models have identified organisational culture as a factor influencing different aspects of the ethical decision-making process of employees (Bommer et al., 1987; Hunt & Vitell, 1986; McDevitt et al., 2007;

Treviño, 1986). Empirical studies also indicate that organisational culture is an important factor in ethical decisions. For example, Singhapakdi and Vitell (1990) found that the organisational ethical culture positively influences different components (e.g., perceived ethical problem, perceived alternatives, and deontological norms). A number of studies also suggested that organisational culture could impact ethical decision-making (Douglas et al., 2001; Kuntz et al., 2013; O'Leary & Stewart, 2007; Ponemon, 1992a; Sweeney et al., 2010). However, Craft (2013) claimed that the influence of organisational culture on ethical decision-making is complex.

A number of factors arising from organisational ethical culture have been identified in prior research, including the tone at the top (Douglas et al., 2001), the social influence pressures (DeZoort & Lord, 1997), and lack of timely penalties (Sweeney & Pierce, 2004). The tone at the top is identified as a vital factor in developing a strong ethical culture within the organisation and it is explained as “the ethical environment within the firm created through management practices and espoused values” (Douglas et al., 2001, p. 107). The influence individuals have over one another within the organisation creates social influence pressures; these take three forms that have implications for accounting settings: compliance pressure (pressure to go along with explicit requests from individuals at any level); conformity/peer pressure (pressure to engage in behaviour consistent with perceived group norms); and, obedience pressure (pressure to obey superiors) (DeZoort & Lord, 1997, p. 41). Sweeney and Pierce (2004) explain lack of timely penalties as promptness of reprimand for detected unethical behaviour (reprimand for personal gain and gain to the firm)” (p. 539).

A number of studies have measured organisational ethical culture. Hunt, Wood, and Chonko (1989) introduced a measurement to assess the ethical culture of an organisation in the field of marketing. Douglas et al. (2001) successfully applied that measurement to an audit setting. Sweeney et al. (2010) later extended the same measurement scale. Their study used 11 statements to measure the impact of the organisational ethical culture of accounting firms on ethical evaluation and intention. All these scales measured employee perceptions of management's concerns about ethics in the organisation, the extent to which managers act

ethically, and the extent to which the organisation rewards or punishes unethical behaviour. Sweeney et al. (2010) highlighted the need and opportunity for further research “including consideration of the ethical sensitivity . . . , and comparisons of variables impacting on ethical decision-making for multiple employment levels” (p. 545). Following Sweeney et al. (2010), this study investigates the impact of three organisational culture measures: the tone at the top; the social influence pressures; and, lack of timely penalties on the ethical decision-making process of accountants.

5.2.3 Professional factors influencing ethical decision-making

Professional factors which are external to the organisation may arise for the accounting profession. As stated, several ethical decision-making models have identified social environmental factors such as industry norms, professional codes, social and cultural values, and political and legal systems (Bommer et al., 1987; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; McDevitt et al., 2007).

Bommer et al. (1987) argued that professionals have to maintain high ethical standards in their decision-making. Professional accounting bodies play an important role in ensuring the ethical behaviour of professional accountants through introducing a formal code of ethics. Frankel (1989) stated that “the code must be viewed as only one part of a larger system intended to promote ethical conduct” (p. 114). Low et al. (2008) highlighted the importance of introducing and updating professional codes of ethics, given society’s increased focus on the accounting profession. Thus, codes issued by professional accounting bodies can be considered as a factor that arises from the extensive professional environment in which an individual accountant operates. Therefore, amongst other factors, this study examines the impact of familiarity with the codes of ethics issued by Sri Lankan professional accounting bodies on the ethical decision-making of accountants.

Familiarity with the professional code of ethics

As discussed in chapter 2, Sri Lankan professional accountants adhere to global ethical standards established by the top international professional accounting body – the IFAC – through its professional codes of ethics. Frankel (1989) describes a professional code of ethics as “perhaps its [the profession’s] most visible and

explicit enunciation of its [profession's] professional norms. A code embodies the collective conscience of a profession and is testimony to the group's recognition of its moral dimension" (p. 110). Frankel (1989) identifies a number of functions for codes of ethics. It can act as an enabling document; a source of public evaluation; a way to broaden professional socialisation; as means of enhancing the profession's reputation and public interest; as a way of preserving entrenched professional bases; as a means of *deterring unethical behaviour* (emphasis added); and, as a way to offer a support system and adjudication (Frankel, 1989, pp. 111-112). Gowthorpe and Blake (1998) captured the implied impact of a code of ethics on ethical behaviour in this fashion:

Ethical behaviour implies taking the right actions out of free choice. Codes may help to improve the ethical dimensions of practice by helping people develop the habit of doing the right thing and by providing a framework for ethical practice. (p. 158)

The objective of the IFAC professional code of ethics is to promote more ethical behaviour by accountants (International Federation of Accountants, 2008). In particular, Modarres and Rafiee (2011) found that familiarity with the Iranian Association of Certified Public Accountants codes of ethics, which was developed on the basis of IFAC codes of ethics, leads to a higher level of ethical standards. However, Pitman and Radtke (2005) examined how CPAs (Certified Public Accountants) in public practice respond to different ethical situations and found that CPAs may not refer to the AICPA (American Institute of Certified Public Accountants) code of professional conduct as much as they might when faced with ethical dilemmas. Similarly, Flanagan and Clarke (2007) suggested that accountants "when confronted with conflicting ethical problems cannot choose the way to move forward that is consistent with their own values and/or the profession's code of professional conduct" (p. 488). These studies suggest that the establishing of codes of ethics in accounting or in other profession are not the only answer to solve ethical issues around ethical behaviour.

Tweedie, Dyball, Hazelton, and Wright (2013) provide another criticism of member countries adopting the IFAC's global ethical standards, saying: "nowhere is this tension between global consistency and local diversity in educational standards

more acute than in efforts to establish global ethical standards” (p. 1). In this regard, IES4 stresses that the responsibility of member bodies is to ensure that “their members have an adequate understanding of the principles of professional ethics and the underlying rationale of the constraints that professional ethics place on professional accountants” (International Federation of Accountants, 2008, p. 1). Despite the adoption of IFAC codes of ethics by Sri Lankan professional accounting bodies, chapter 1 and 3 highlighted particular enforcement issues with regard to the professional codes of ethics issued by the professional accounting bodies.

In the case of Sri Lanka, it is worth examining the impact on their ethical decision-making of Sri Lankan accountants’ familiarity with the professional codes of ethics. In measuring familiarity with the codes of ethics, several statements were set out to measure how accountants perceive the code in their ethical decision-making (see chapter 6 for more details).

5.2.4 Moral intensity factors

The moral intensity factor was suggested by Jones (1991) in his issue-contingent model and also included by Schwartz (2016) in his I-EDM model. Basically, moral intensity deals with the characteristics of the moral issue. Jones (1991) defined moral intensity as “a construct that captures the extent of issue-related moral imperative in a situation (p. 372). Moral intensity is likely to differ considerably from one ethical issue to another because different ethical issues have different characteristics. As shown in Table 10, the six components of the moral intensity construct explain the different characteristics of ethical issues.

Table 10. The six components of moral intensity according to Jones (1991)

Component of moral intensity	Explanation
<i>Magnitude of consequences</i>	the sum of the harm/benefits of the moral act to those involved
<i>Social consensus</i>	the degree of social agreement that a proposed act is good or bad
<i>Probability of effect</i>	the probably that the act will actually take place and will harm/benefit those involved
<i>Temporal immediacy</i>	length of time between the present and the consequences of the act
<i>Proximity</i>	the feeling of immediacy to those involved
<i>Concentration of effect</i>	the strength of consequences for those involved

Source: Adapted from Jones (1991, pp. 374-377)

Goles, White, Beebe, Dorantes, and Hewitt (2006) suggested that the six different components presented above collectively comprise the moral intensity of the situation related to the ethical decision-making process. The impact of these six components of moral intensity on ethical decision-making, however, was found to be mixed (McMahon & Harvey, 2007). For example, their study found that the magnitude of consequences, social consensus, probability of effect, and temporal immediacy had a significant impact on ethical decision-making while proximity did not. In particular, Jones (1991) claimed that moral intensity has a direct effect on the four stages of Rest's (1986) ethical decision-making process.

Moral intensity has been given more attention by prior studies that yielded mixed findings on the relationship between moral intensity and ethical decision-making process. With regard to ethical awareness, Jones (1991) also explained that "issues of high moral intensity will be recognised as moral issues more frequently than will issues of low moral intensity" (p. 383). Butterfield, Trevino, and Weaver (2000) claimed that ethical awareness is influenced by the magnitude of consequences. May and Pauli (2002) asserted that moral intensity was significantly related to identification in only one of their two scenarios and that the social consensus component was not significant in either scenario.

Barnett and Valentine (2004) claimed the magnitude of consequences and social consensus are significantly related to ethical judgement but that the proximity of

harm or temporal immediacy are not. Cohen et al. (2001) contended that both proximity and concentration of effect impacted on intentions, while proximity was not found to be significant by Singhapakdi, Vitell, and Kraft (1996). Leitsch (2006) also claimed that the dimensions of moral intensity significantly predicted accounting students' moral intentions. Cohen and Bennie (2006) argued that auditors ranked magnitude of consequences as the most important moral intensity construct for ethical decision-making, while auditors also ranked social consensus and probability of effect as important to them when making ethical decisions. Sweeney and Costello (2009) concluded that the social consensus component of moral intensity has the strongest relationship with the ethical decision-making process. In particular, they found that moral intensity was significantly directly related to ethical judgement and ethical intentions in all four investigated scenarios and significantly directly related to the identification of an ethical dilemma in three of the four scenarios they probed.

The role of magnitude of consequences and social consensus has been revealed more consistently than have other dimensions in various disciplines such as marketing, management and accounting (O'Fallon and Butterfield, 2005). As argued by Musbah et al. (2014), temporal immediacy has not been researched much in the literature. Therefore, out of the six dimensions of the moral intensity construct, this study selects three dimensions: magnitude of consequences; social consensus; and temporal immediacy, in line with a study conducted on management accountants' ethical decision-making in Libya by Musbah et al. (2014).

Singhapakdi et al. (1996) developed a measure of moral intensity, assigning one item for each of the six dimensions listed in Table 10. Several studies have employed this measure (Pierce & Sweeney, 2010; Sweeney & Costello, 2009). The current study employs Singhapakdi et al.'s measure of moral intensity, but with slight modifications, in order to examine its applicability to the ethical decision-making process of Sri Lankan accountants. The three categories of moral intensity pertain to each vignette, and they are used to examine the moral intensity of accountants in relation to the ethical dilemma inherent within the given vignette. The three statements are included at the end of each vignette used in this study to

measure the three components of moral intensity on a 5-point Likert-like scale ranging from strongly disagree to strongly agree (see chapter 6 for statements).

5.3 Construction of a Preliminary Integrated Framework of the Ethical Decision-making of Professional Accountants

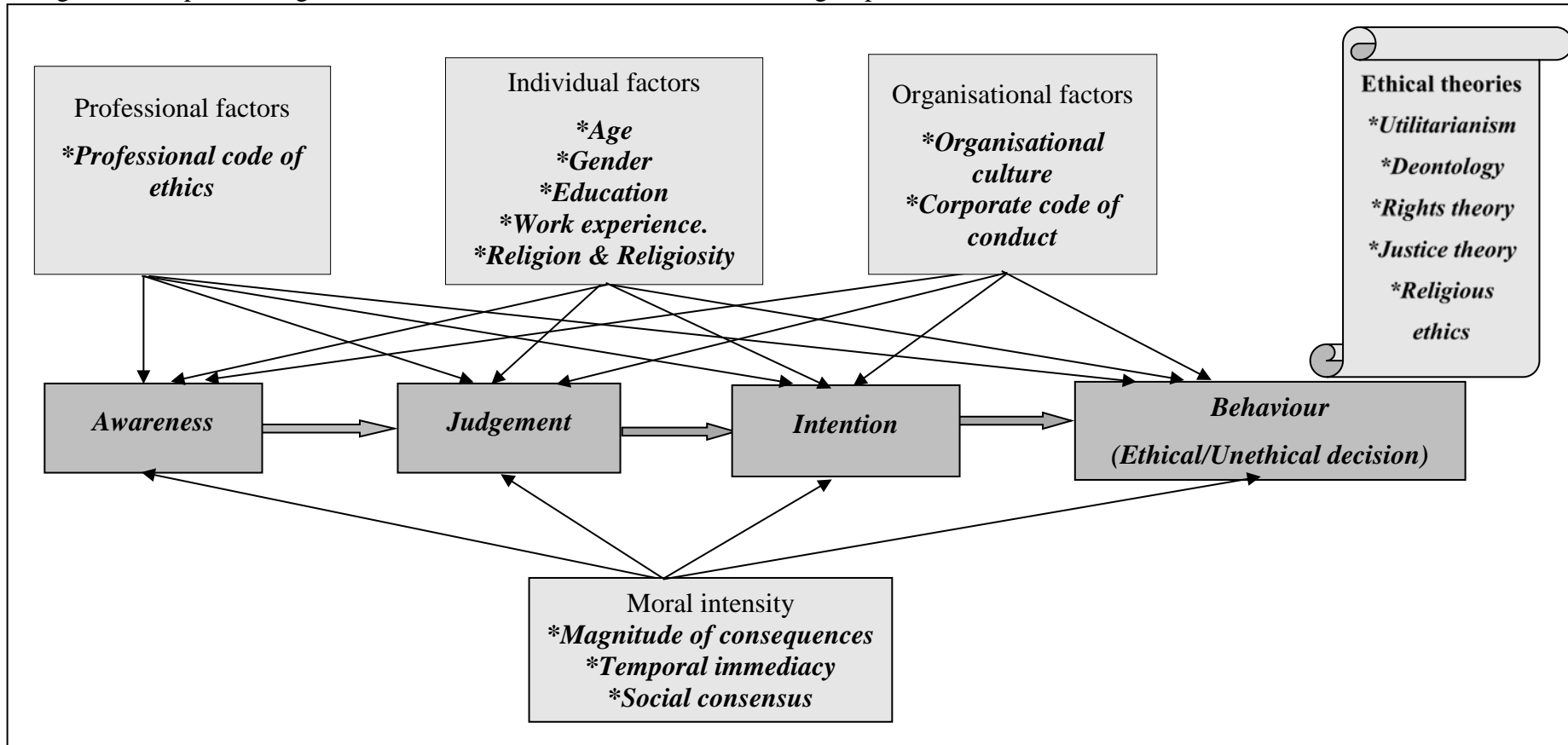
As discussed in previous sections, the models used and the factors chosen for the study are integrated into a preliminary framework, shown in Figure 9. Despite the variations in scope and findings, the majority of accounting studies are grounded on a common foundation of psychological models. As the preliminary framework in Figure 9 demonstrates, this study is based on the four-component model of Rest (1986) who observed that his model has a logical sequence of steps. Here, in Figure 9, the four components have been drawn as a linear model in line with the Jones's (1991) issue-contingent model and some prior empirical studies which validated this linear-type relationship (Musbah et al., 2014; Yang & Wu, 2009).

As explained in previous sections, all four components of the ethical decision-making process are assumed to be influenced by various factors adopted from prior models (Bommer et al., 1987; Brass et al., 1998; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; McDevitt et al., 2007; Pimentel et al., 2010; Schwartz, 2016; Treviño, 1986). It is those factors which this study considers. As understood in the previous discussion in the chapter, prior studies have treated one or more components (awareness, judgement, intention, and behaviour) as the dependent variables, while various factors, including individual, organisational, and moral intensity have been considered as independent variables. Hence, in line with those models and empirical studies, the study's preliminary framework postulates that individual, organisational, professional, and moral intensity factors would directly influence each stage of Rest's (1986) decision-making process. In addition, within the empirical ethical decision-making literature, these factors have been identified as influencing the four components of the ethical decision-making process (Musbah et al., 2014; Pierce & Sweeney, 2010; Sweeney & Costello, 2009).

This preliminary framework was field-tested using several ethical vignettes to examine the factors that influence the ethical decision-making process of Sri

Lankan accountants. The next chapters explain how the interview and questionnaire surveys data gathered were used to empirically test the model via those vignettes. Thus, empirical understanding of the role these different factors played in the ethical decision-making of Sri Lankan accountants informs the framework. Thereafter, the study's findings helped to improve or modify the preliminary framework which will be explained in chapter 10.

Figure 9. Proposed integrated framework of the ethical decision-making of professional accountants.



5.4 Summary

Drawing from the prior literature, this chapter has proposed a preliminary ethical decision-making framework for professional accountants in Sri Lanka (see figure 9). In constructing this integrated framework, Rest's four-component model was first employed to describe the ethical decision-making process when accountants make decisions. Secondly, the components of several other models were used to select a number of convergent factors that would influence the ethical decision-making of professional accountants. In addition, the rationales for accountants' decisions were interpreted using various ethical theories. Next, the literature with regard to a number of factors that influence ethical decision-making were explained in order to understand the nature of those influences. Accordingly, individual factors which would influence the ethical decision-making of Sri Lankan accountants are considered in this study. These are: age, gender, education, work experience, and religion. The impact of organisational culture as an organisational factor and a professional code of ethics as a professional factor were also investigated in relation to the ethical decision-making of professional accountants in Sri Lanka. In addition, moral intensity is included as a variable that influences the ethical decision-making process of accountants.

The next chapter presents the research methodology and methods used to conduct the research. It details the research methods that were employed to collect and analyse data in order to answer the study's research questions and to achieve its research objectives.

Chapter 6

Research Methodology and Methods

6.0 Introduction

The purpose of this chapter is to explain the research methodology and methods designed to collect and analyse data for this study. While research methodology refers to the principles that guide the appropriateness of the methods used, methods refer to specific procedures employed in the collection and analysis of data. This study employs a mixed method design that integrates interview and questionnaire data collection and analysis.

This chapter commences with a discussion that positions the methodology choice within philosophy and theory. It discusses mixed methodology and the justification for its usage in this study, along with its strengths and weaknesses. The rest of the chapter explains the research methods used. First, the choice of research methods is discussed, followed by operationalisation tasks. Next, the sample selection for this study is explained. The two main phases of data collection and analysis in a mixed method design are then discussed i.e., interviews and questionnaire survey. An explanation of the social desirability issues follows, and the reliability and validity of the chosen methods is addressed. The chapter ends with a summary.

6.1 Positioning the Mixed Methods Approach within Philosophy and Theory

The philosophical stance of this study is that combining methods, rather than being locked into one, allows a richer understanding of the human experience. Accordingly, combining qualitative and quantitative methods to understand information—mixed method—is used in this study. Thus, the philosophical assumptions in this research assume that multiple views—the pragmatic stance—provide a better way to achieve research objectives. The pragmatist stance believes that multiple views can be utilised within the same piece of research, allowing the research problem to be examined more deeply (Creswell & Clark, 2007). Since the

ethical decision-making process is complicated, combining multiple views enhances this study, because that approach provides a more robust understanding of the phenomenon under consideration.

All research is underpinned by a philosophical view. Researchers argue that the dimensions of theoretical and methodological choices related to ontology, epistemology, and methodology (Bryman, 2012; Llewelyn, 2003). The first set of assumptions is comprised of ontological assumptions which refer to the form and nature of social reality (Bryman, 2012). Ontologically, the researcher believes, in conducting interviews, that there is no clear split between the researched and the researcher. In particular, social reality is constructed by values, beliefs, norms, concepts, and perceptions of individuals or society (Llewelyn, 2003). The second set of assumptions relates to epistemology which lies within the replication of theory as opposed to the generalization of the social phenomena through lived experience (Llewelyn, 2003). Epistemologically, this study tries to combine itself with the subjective and objective interpretation of the social world. To understand the research problem clearer, this research mixed both interview and questionnaire survey data collection, analysis and interpretation.

Accounting and ethics researchers have called for new methods such as the mixed methods approach in a field as complex as ethical decision-making (Musbah et al., 2014). In particular, Randall and Gibson (1990) argue that:

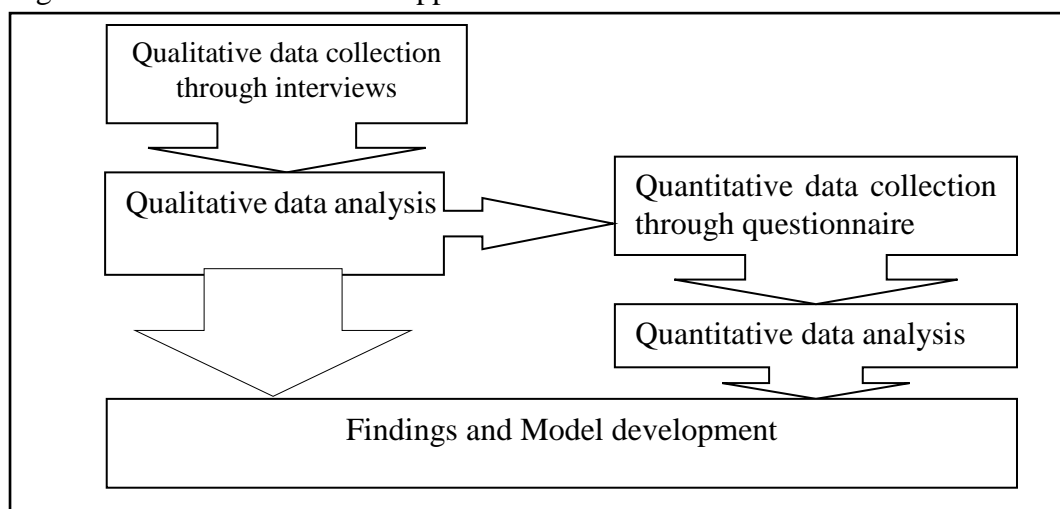
Due to difficulties presented by such a sensitive research topic as business ethics, researchers may never be able to approach the study of business ethics with an ideal scientific research process. However, with complete reporting of methodological decisions and the consideration of as many refinements in the review process as possible, a solid methodological foundation can be established. (p. 469)

For decades, ethics research has been largely dominated by quantitative methods (Craft, 2013; Ford & Richardson, 1994; Lehnert et al., 2015; Loe et al., 2000; O'Fallon & Butterfield, 2005). Lehnert et al. (2015) claim that qualitative methods have rarely been adopted in prior ethics research. For example, out of 139 empirical studies covered in their review paper, “only two studies engaged in qualitative analysis along with quantitative analysis, while two used secondary data” (p. 206).

The findings of Lehnert et al. (2015) show just how few ethics studies have adopted mixed methods in ethical decision-making research using both comprehensive and in-depth data.

This mixed methods approach study relies initially on the constructivist worldview to understand not only how Sri Lankan accountants perceive ethics and the ethical decision-making process, but also the ethical theories they used in their decision-making. Since ethical decision-making is a socially created process through human interaction with the environment (Butterfield et al., 2000), interviews are useful for understanding the social reality which is constructed through values, beliefs, norms, concepts, and the perceptions of individuals or society (Grafton, Lillis, & Mahama, 2011). In particular, the individuals in this study are accountants. Thus, studying the ethical decision-making of accountants without setting the study into that context would not provide a clear understanding about factors that influence the process. Hence, insights with regard to ethics, ethical decision-making, the rationales behind decisions, and the role of various other factors was obtained through interviews with accountants. In addition, a questionnaire survey was employed to gather and analyse data as a means of understanding the association between a number of factors and the ethical decision-making process of accountants. Accordingly, this study begins with a qualitative approach and moves into a quantitative approach (see Figure 10). Both the qualitative and quantitative data were, however, used to present the study's findings and model development.

Figure 10. Outline of research approach.



Source: Author

When conducting research, the mixed methods approach has a number of strengths. In general, Tashakkori and Teddlie (1998) argue that with the growth of research in the social sciences, there is now almost no major research problem that is addressed wholly with just one method.

Therefore, the mixed method approach has, in recent times, gained popularity among social and behavioural science researchers (Greene, 2008; Johnson, Onwuegbuzie, & Turner, 2007; Teddlie & Tashakkori, 2009), including accounting researchers (Dellaportas, 2006; Grafton et al., 2011), because, on the one hand, emerging social issues cannot be neatly grouped within the boundaries of one discipline, while, on the other, there is also a growing demand to address new research questions that traditional research methods have not adequately addressed (Hesse-Biber, 2010).

Morgan (2014) explains that a mixed method approach can manage a wider and greater variety of research questions, because a researcher is not merely confined to a single research approach or method. When quantitative and qualitative methods are used in combination, they complement each other and permit more complete analysis by collecting confirmatory and exploratory questions, thus verifying and generating theory in the same study (Teddlie & Tashakkori, 2009). Additionally, Johnson and Onwuegbuzie (2004) point out that qualitative research can facilitate quantitative research and vice versa. In addition, a mixed method approach has the potential to address complex questions including gender, religion, and beliefs (Hesse-Biber, 2010).

In particular, accounting and ethics researchers have identified a number of the advantages of combining qualitative with quantitative methods. For example, Butterfield et al. (2000) claim that mixed methods can complement and enhance the findings. In addition, Bisman (2010) argues that research examining human behaviour in accounting could benefit from applying multiple or mixed research methods. Further, Lehnert et al. (2015) claim that the adoption of a qualitative approach along with a quantitative method will provide a better understanding of a research objective in ethics studies. Accordingly, mixed methods offer the potential

to investigate not only the economic consequences of accounting, but also the perceptions of accountants, managers, decision-makers, and other stakeholders in their use of, and reactions to, accounting information (Bisman, 2010).

In addition, Cameron (2011) makes a general research call to 'first generation' mixed method researchers to play an active role within their research community in the education and promotion of mixed method research. In response to Cameron's (2011) request, Fraser (2014) claims that this process should begin one step earlier with the education of 'first generation' researchers, PhD students.

Despite its various strengths, several weaknesses have also been identified with mixed method research. One of the main weaknesses in mixing methods is the failure to adequately integrate the design, implementation, analysis, and interpretation of the quantitative and qualitative methods of research (Teddlie & Tashakkori, 2009; Yin, 2006). Johnson and Onwuegbuzie (2004) claim that it could be difficult for one researcher to carry out both qualitative and quantitative research and that the researcher needs to learn about multiple methodologies and link them carefully in order to mix them. In addition, Grafton et al. (2011) state that two methods in one study may result in serious compromises in the application of either one or both methods, potentially threatening the quality of qualitative and quantitative data respectively.

Nevertheless, the strengths of using a mixed methods approach far outweigh the weaknesses (Johnson & Onwuegbuzie, 2004). Thus, a number of researchers propose mixed methods research as a logical and practical alternative that bridges the divide between quantitative and qualitative research (Johnson & Onwuegbuzie, 2004; Onwuegbuzie, Johnson, & Coluns, 2009; Teddlie & Tashakkori, 2009). Influenced by these ideas, this study adopts a mixed methods approach, because the researcher considers it to be appropriate for developing an ethical decision-making model for accountants in Sri Lanka.

6.2 Research Methods

This study uses different methods to achieve its objectives. Methods used to study social phenomena may vary and depend on the resources available and the nature of the phenomenon (Williams & May, 1996). In addition, the development of a research design requires decisions to be made about the purpose of the study, the population to be studied, and the types of investigations to be undertaken (Teddlie & Tashakkori, 2009).

This section details this study's research methods and describes the following: choice of research methods (section 6.2.1); operationalisation of the research project (section 6.2.2); population and sample (section 6.2.3); and, data collection, analysis, and reporting (section 6.2.4).

6.2.1 Choice of research methods

In choosing research methods, the primary focus of the research should be on the problem, and there should be flexibility in the methodological choices to accommodate multiple methods, in order to determine research outcomes (Creswell, 2007; Tashakkori & Teddlie, 1998).

As mentioned before, this study chose interviews and questionnaire survey as its research methods. As shown in Table 11, the first two research questions were answered through interview data. Research questions three to seven were answered by using findings from both the interviews and the questionnaire survey. While the interview findings partly helped to explain the role of the factors that influence ethical decision-making, the survey findings provided an exploratory analysis by identifying the impact of various factors that influence the ethical decision-making process of accountants in Sri Lanka. The answer to research question seven encompasses the overall conclusion that the study reached through an integration of the implications obtained from both the interview and questionnaire data analysis.

Table 11. Research questions and research methods

Research questions	Research methods
RQ1: What is the nature of ethics and the ethical decision-making process, as perceived by accountants?	Interviews (using video vignettes)
RQ2: How are ethical theories associated with the ethical decision-making of accountants in Sri Lanka?	
RQ3: What individual factors influence the ethical decision-making of accountants in Sri Lanka?	Questionnaire survey and interviews (using video and written vignettes)
RQ4: What organisational factors influence the ethical decision-making of accountants in Sri Lanka?	
RQ5: What professional factors influence the ethical decision-making of accountants in Sri Lanka?	
RQ6: Does moral intensity influence the ethical decision-making of accountants in Sri Lanka?	
RQ7: Can an integrative framework of the factors influencing the decision-making of accountants in the Sri Lankan accounting profession be developed?	Integration of answers to RQ1-RQ6

Source: Author

Although ethics literature has largely used surveys employing vignettes. Tillman (2006) suggests that vignettes can be used in both quantitative and qualitative research studies. Furthermore, Eskelinen and Caswell (2006) claim that “it is fruitful to combine the vignette with other methodological approaches, such as interview and observation” (p. 500). Thus, both the interviews and questionnaire survey in this study are based on the vignettes method, but in two different forms: video and written vignettes. The following sections provide a brief introduction to vignettes, interviews, and questionnaire surveys.

Vignettes

Vignettes represent various ethical issues in the form of scenarios (Finch, 1987). They are “short stories about hypothetical characters in specified circumstances” (Finch, 1987, p. 105). In ethics research, vignettes represent a particular ethical issue or dilemma, or simulate key features of a real-world scenario (real-life experience), or are based on prior research (Finch, 1987; Hughes, 1998). An individual is central to a vignette and, drawing on their own experiences, respondents are invited to imagine how the character would behave (Tillman, 2006).

Torres (2009) argues that the use of vignettes in research is appropriate “when studying issues that are abstract in nature and need contextualization” (p. 94). Thus, vignettes have been widely used to investigate social issues across a number of disciplines. These include: psychology (Sleed, Durrheim, Kriel, Solomon, & Baxter, 2002); sociology (Hughes, 1998; Tillman, 2006); education (Chau et al., 2001; Hastings, 2015); health sciences (Evans et al., 2015; Hillen, van Vliet, de Haes, & Smets, 2013) and; business (Butterfield et al., 2000; Fritzsche & Oz, 2007; Paolillo & Vitell, 2002; Premeaux, 2004; Premeaux, 2009). Additionally, vignettes have been used to examine the ethical decision-making behaviour of individuals, including accountants (Cohen et al., 2001; Eweje & Brunton, 2010; Sweeney et al., 2010; Sweeney & Costello, 2009).

Vignettes can take either a written and/or digital video form (Hughes & Huby, 2001). Vignettes that take the form of a written narrative are the most common in ethical decision-making research (Flory et al., 1992; Musbah et al., 2014), and they have been widely used in large-scale quantitative surveys (Finch, 1987; Marques & Azevedo-Pereira, 2009). Prior ethics research has suggested that vignettes in surveys have a number of advantages. For example, Alexander and Becker (1978) claim that better-quality data can be collected through the use of vignettes, asserting that “elaborated descriptions of concrete situations is supported as a means of producing more valid and more reliable measures of respondent opinion than the simpler abstract questions more typical of opinion surveys” (p. 93). Furthermore, Paolillo and Vitell (2002) claim that the use of vignettes enriches the quality of data from questionnaires. In prior research, vignettes have been employed as ‘elicitation tools’ enabling an examination of subjects’ responses to hypothetical situations (Tillman, 2006).

The use of video vignettes in qualitative research has become increasingly popular among health science (Evans et al., 2015; Hillen et al., 2013; Stacey et al., 2014) and social science researchers (Johnson, 2000; Wilks, 2004). For example, Eskelinen and Caswell (2006) employ video vignettes to compare social work practice in teams. They argue that videos are a more appropriate research tool than narrative text as respondents find them easier to understand and identify with. Sleed et al. (2002) argue that video vignettes are more beneficial than the written form

because videos are “more richly textual” (p. 22). Similarly, Eskelinen and Caswell (2006) suggest that video vignettes can be authentic and simulate reality and can, at the same time, contain an understandable story with sufficient context. Sled et al. (2002) provide further elaboration when explaining that “each movement and aspect of behaviour is clearly visible, as are the surrounding contextual elements” (p. 22). Thus, while videos retain the same benefits as written vignettes in that they contextualise the phenomena under investigation, they are more realistic. However, there are disadvantages associated with using video vignettes. These include: their being less economical in terms of time and money; and, the introduction of potentially unimportant variables, such as the physical characteristics and dress of the actors, which may be difficult to control (Sled et al., 2002).

Despite the many advantages of using vignettes, there are inherent limitations with their use. Researchers have identified that research findings using vignettes are problematic due to their relevancy, familiarity, and generalisability to the sample (Weber, 1992). Prior studies have also claimed that, perhaps, the leading methodological questions in relation to using vignettes have been about validity (Hughes, 1998; Hughes & Huby, 2002; Tillman, 2006). Scenarios used in vignettes have been identified as irrelevant and unfamiliar to the sample population because they are vague and not realistic (Lehnert et al., 2015; Randall & Gibson, 1990). Likewise, Hughes (1998) claims that the reliability of vignettes is questionable because participants’ responses to the vignette and actual actions may be different. However, the current study addressed these issues when constructing the vignettes and pretesting them.

Interviews

Interviews, the most widely employed method in qualitative research (Morgan, 2014), is one of the two research methods used in this study. Even though quantitative methods using questionnaire surveys are common in ethics research, Randall and Gibson (1990) state that in-person interviews play a valuable role in obtaining ethical opinions and behaviour. As discussed in the previous section, using qualitative research tools serves to facilitate and add value to research. Hence, interviews play a valuable part in exploratory research for developing an

understanding of a phenomenon like ethical decision-making (Butterfield et al., 2000; Morgan, 2014; Randall & Gibson, 1990). Elaborating on that idea, Desautels and Jacob (2012) claim that interviews enable exploration of information relating to experiences, knowledge of the ethics field, and the expectations of participants.

Although interviews have been identified as a useful data-collection tool, there are weaknesses in conducting interviews. Data collection through in-person interviews is usually expensive and time-consuming (Kvale, 1995). Data analysis can also be time-consuming (Bryman, 2012). In addition, Babbie (2013) claims that maintaining interviewees' confidentiality presents unique challenges to qualitative researchers. Despite their weaknesses, however, interviews provide rich insights when exploring a topic.

From amongst the three types of interview (structured, open, and semistructured) explained by Richards (2009), this study chose semistructured interviews, although their form was heavily influenced by both the other two types of interview. Richards (2009) explains that in semistructured interviews priority is given to the respondent, but within the framework provided by the 'interview guide'. Additionally, there are different ways of conducting interviews including face-to-face, video conferencing, and telephoning (Babbie, 2013).

Furthermore, previous researchers have also used videos in interviews (Arnold, Audi, & Zwolinski, 2010; Morrison, 2015). Although the written form of vignettes is the most commonly used type, Eskelinen and Caswell (2006) argue that video vignettes are especially appropriate in qualitative research. As Tillman (2006) argues, combining the vignette technique into interviews facilitates the study of sensitive areas of inquiry and helps to generate data that reflect the complexity of the phenomenon being studied. In addition, Hughes (1998) indicates that videos can be used to gain access to sensitive topics or complex research areas of inquiry and to get more in-depth understanding of the subject. In the light of these claims, video vignettes were used as a research tool during the interview process with the Sri Lankan accountants, a method which adds value to this study. In brief, this study conducted semistructured face-to-face interviews with accountants using video vignettes.

In conducting these interviews, the researcher took a number of measures to ensure the confidentiality of the interviewees. In addition, the interviewees were advised that they were free to decline to answer any question and were also able to withdraw from the study at any time. This assurance helped to improve the reliability and validity of interview data collected for the study.

Questionnaire survey

Questionnaire survey is the second research method used in this study. In ethics research, it is a very common and popular research method (Loeb, 1971; Marques & Azevedo-Pereira, 2009; Pierce & Sweeney, 2010). Questionnaires provide broad information and are the best method for collecting information about large populations (Babbie, 2013). In a survey, participants answer the same questions and, as a result, more structured data is gathered from the whole sample; thus, questionnaire surveys are easy to administer and the researcher does not need to be present (Babbie, 2013). In addition, Randall and Gibson (1990) argue that questionnaire surveys can increase the reliability of responses when the topic of the research is sensitive as they minimise one form of bias i.e., the characteristics of the interviewer, that can affect interviews.

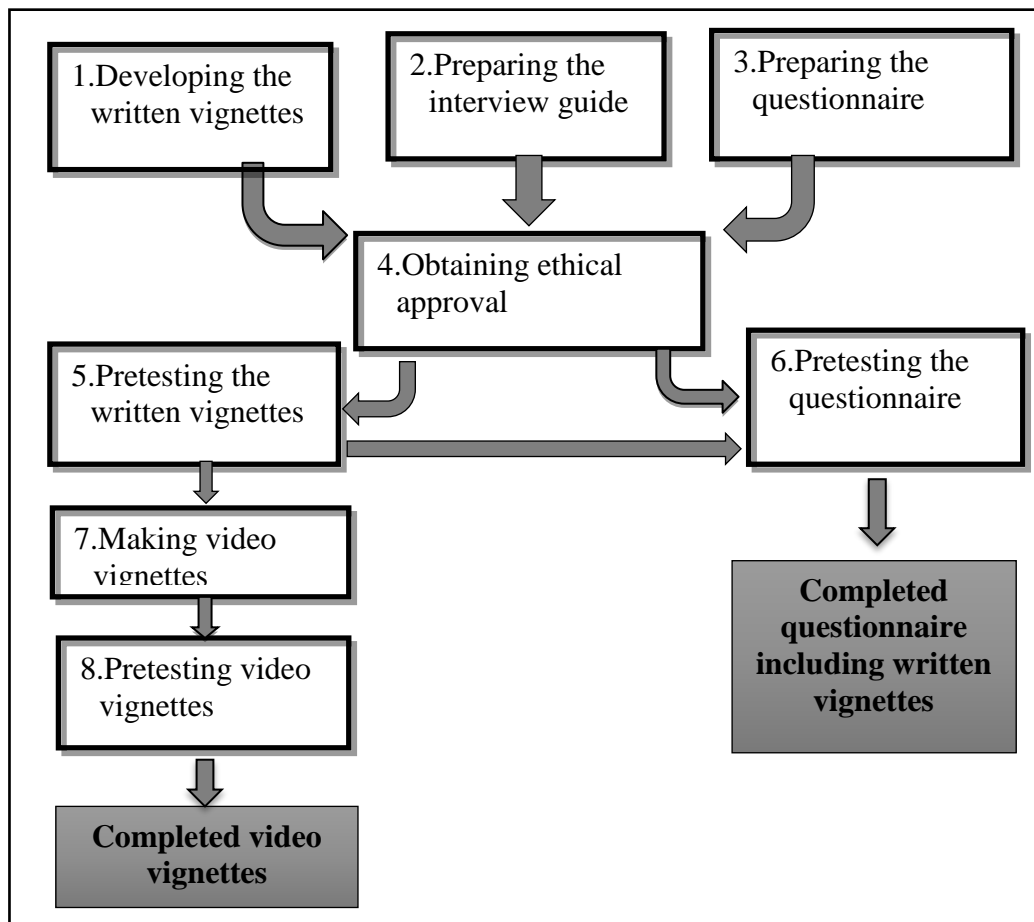
Despite their advantages, there are disadvantages in administering questionnaire surveys. Data from questionnaires are affected by the characteristics of respondents such as their attitude, knowledge, experience, motivation, and personality (Babbie, 2013). Moreover, it is difficult to obtain the respondents' insights, views, attitudes, and values and to observe their verbal and nonverbal behaviour and gather in-depth information when using a questionnaire (Bisman, 2010).

As explained, a questionnaire was nevertheless chosen as the second research method to complement the interview data. Consistent with prior ethics studies (Chan & Leung, 2006; Latan, Jabbour, & de Sousa Jabbour, 2017; Musbah et al., 2014; Pierce & Sweeney, 2010), written vignettes were incorporated into this questionnaire instrument in order to gather information from a large sample of accountants in Sri Lanka.

6.2.2 Operationalisation

Once the research methods have been chosen, it is necessary for the researcher to decide upon the appropriate research instruments before beginning the actual data collection process. As shown in Figure 11, creating research instruments consists of eight tasks. Figure 11 depicts these. For this study, the first three tasks were conducted in parallel as groundwork. They involved: 1) developing the vignettes; 2) preparing the interview guide; and, 3) preparing the questionnaire. The fourth task was to obtain ethical approval, and the fifth involved pretesting of the written vignettes. Next came the pretesting of the questionnaire, including the written vignettes. The penultimate task was to make and pretest the video vignettes. Finally, the questionnaire instrument, including the written vignettes and four video vignettes, was completed. The following sections discuss each of these tasks in detail.

Figure 11. Process for completing the research instruments.



Source: Author

Developing the written vignettes

Seven brief written vignettes representing a variety of ethical dilemmas relevant to accountants were developed for the purpose of this study. Prior ethics researchers have frequently utilised vignettes developed by others without making any amendments to them or modifying them to suit other contexts (Alleyne, Devonish, Nurse, & Cadogan-McClean, 2006; Borkowski & Ugras, 1992; Eweje & Brunton, 2010; Pierce & Sweeney, 2010; Sweeney & Costello, 2009). Prior studies have also used a combination of previously developed vignettes alongside new scenarios in the same study (Cohen et al., 2001; Loeb, 1971). However, while a few researchers, particularly those studying accounting ethics, have constructed their own vignettes, they are the exceptions (Flory et al., 1992; Marques & Azevedo-Pereira, 2009; Molyneaux, 2008).

In constructing the vignettes, cognisance was taken of the theoretical and methodological limitations identified in prior literature. As argued by Hughes and Huby (2001), there is little consensus regarding the internal validity of vignettes, their appropriateness to the research topic, the kinds of participants involved, and the interest, relevance, realism, and timing of the vignettes in the research encounter. Fritzsche and Oz (2007) suggest that, given the difficulty of studying actual decision-making, reliability and validity can be improved by simulating realistic business scenarios that include various ethical dimensions in different vignettes.

The present study, therefore, took particular care to ensure that the vignettes were realistic, and presented ethically ambiguous issues that would be familiar in a Sri Lankan context. As argued by Hughes (1998), unrealistic and implausible scenarios can produce adverse reactions from participants. Plausibility is, therefore, a key consideration in developing vignettes (Jenkins, Bloor, Fischer, Berney, & Neale, 2010). In response to this, some researchers have developed their vignettes around actual experiences. To address the limitations around the realism of vignettes, the researcher took particular care to develop vignettes that presented realistic and ethically ambiguous issues. Although the choice of ethical issues developed in this study was guided by prior research, the scenarios developed for this study were drawn primarily from the researcher's prior experiences.

Previous accounting ethics studies have addressed a number of ethical issues through the use of original vignettes. Such studies have investigated: conflicts of interest; personal integrity; whistleblowing; confidentiality; and regulations (Molyneaux, 2008); and, pressure; illegal insider trading; making a mistake for a personal favour; revealing the content of several business contracts; and agreeing to receive variable fees from a client (Marques & Azevedo-Pereira, 2009). As detailed above, the ethical dilemmas apply to a number of areas; they can be relevant to auditing and accounting issues, and to more general issues in business. However, common themes that involve ethical issues in accounting are: manipulating books or accounts, violating company rules; conflicts of interest; personal integrity; whistleblowing; confidentiality and regulations; family relationships; possessing inside information; and bribery.

Weber (1992) suggests that a study should comprise a reasonable number of scenarios rather than just one or two. Hence, at the initial stage of this study, seven vignettes were developed with the aim of selecting the best and most realistic scenarios. Although the length of the vignettes varied, care was taken to ensure that they were kept as short as possible. Additionally, the seriousness of the dilemma and its potential consequences differed from vignette to vignette. Finally, each vignette contained an element of ambiguity that would test an accountant's sense of objectivity. At the end of each vignette, a particular course of action taken by a hypothetical accountant was detailed. Accordingly, Table 12 depicts the topics of the seven short, written vignettes that were constructed specifically for this study and its sample (see vignettes in Appendix 1: Pretesting interview guide).

Table 12. Vignette topics

Vignette No.	Vignette topics
1.	Accepting gifts
2.	Adjusting financial information
3.	Stealing confidential information from a competitor
4.	Making extraordinary payments
5.	Accepting a company bid for personal gain
6.	Unfair discrimination
7.	Disclosure of insider information

Source: Author

The vignettes constructed for this study represented a variety of ethical dilemmas that an accountant or auditor in Sri Lanka might face. In order to bring them to the pretesting stage, the seven vignettes were reviewed with the researcher's academic supervisors to ensure that they would elicit valid and reliable responses to the dilemmas they represented.

Preparing the interview guide

The main aim of the semistructured interviews was to obtain the insights of accountants with regard to their understanding about ethics and the ethical decision-making process and to identify any particular contextual factors that affect the process. Therefore, questions related to the following general themes were included in the interview guide: a) ethics; b) the ethical decision-making process; c) the importance of ethics to the accounting profession; d) questions related to the video vignettes; and, e) factors that influence the ethical decision-making process (see Appendix 5 for details). However, following Kvale (2007), further questions could be raised by either the researcher or the participant during the interviews, on the basis that flexibility is a key feature of qualitative interviewing. Finally, all the interviews were conducted in English.

Preparing the questionnaire instrument

The main objective of the questionnaire was to invite professional accountants to respond to particular ethical issues and, thus, allow the researcher to identify the association between various factors that may influence ethical decision-making. The initial questionnaire items selected were based on the prior literature on the ethical decision-making of accountants and were refined after discussion with the researcher's academic supervisors.

The questionnaire consisted of four sections:

1. The first section included questions related to demographic information such as gender, age, educational background, work experience and, religion and religiosity;

2. The second section consisted of questions about workplace ethics, including the existence of a code of ethics or any ethical guidelines within the organisation, and organisational culture;
3. The third section included questions related to familiarity with the professional code of ethics issued by the different professional accounting bodies; and,
4. The fourth section included the vignettes along with a proposed action, followed by several statements related to the particular action. These statements related to ethical awareness, judgement, intention, and moral intensity dimensions.

The statements or questions included in the questionnaire were mainly closed-ended. They followed different formats, including dichotomous answers like “yes” and “no” (e.g. Did you cover any ethics education in your academic qualification?); asking for one option (e.g. gender, age group, or educational level); or asking for one or more option (e.g., membership of professional accounting bodies). Although, precoded answers were expected, some of the questions also included a category called ‘other (please specify)’, to accommodate unanticipated answers. The questionnaire also included closed-ended questions that took the form of a 5-point Likert-like scale ranging from “strongly agree” to “strongly disagree”. This scale was used to measure several items, including the levels of intrinsic religiosity, organisational culture, familiarity with codes of ethical conduct scales, ethical decision-making process components, and moral intensity dimensions. However, the level of extrinsic religiosity measure had a different scale. There the options ranged from “never” to “daily”.

Although Sinhalese and Tamil are the official languages in Sri Lanka, English is widely used for official and commercial purposes. Therefore, since the respondents were professional accountants who had a fair knowledge of the language, the questionnaire was prepared in English. The initial questionnaire instrument was revised in line with any of the interview findings that had pointed to contextual factors which were considered important (see the final questionnaire in Appendix 6).

Obtaining ethical approval

Bryman (2012) claims that researchers should be aware of ethical issues arising in the research and comply with them. Since this research is an inquiry into Sri Lankan accountants' ethical decision-making process and factors that influence this process, ethical considerations needed to be given high priority. As Babbie (2013) explains, these include: voluntary participation of participants; no harm to participants; anonymity and confidentiality; deception; analysis and reporting; and, professional codes of ethics to guide researchers.

Mention of these ethical considerations was included in the written instructions on the questionnaire and the information sheet for interviewees. All participants were informed that the research was conducted for academic purposes. The interviewees' anonymity was guaranteed verbally and also in writing and they were all given the right to withdraw from the research at any time and without question. To further ensure their anonymity, the interviewees were identified by a participant number. As for the questionnaire, its first page provided the information that the respondents needed to know in terms of anonymity and their rights. Once the research instruments, i.e., the vignettes, the interview guide, and the questionnaire had been finalised, ethical approval for this study was sought from the Ethics Committee of the Waikato Management School, University of Waikato (see Appendix 2 for ethical approval). It approved the project.

Pretesting of vignettes

The primary goals of the pretesting of the vignettes were to choose the four most reliable and valid vignettes from the seven that had been developed, to ensure the realism of the ethical dilemmas, and to confirm the validity of the vignettes. The time frame for this study meant that a maximum of four vignettes could be chosen and turned into video vignettes for use in the next stage of the research. As Tillman (2006) explains, newly developed vignettes must be pretested by experts or professionals not involved in the study to confirm the 'realness' of the hypothetical situations presented. Moreover, pretesting the vignettes can enhance their reliability

and validity, confirm the wording, identify redundant or missing statements, and correct poor scale items (Randall & Gibson, 1990).

Several prior studies have constructed new scenarios and pretested them (Butterfield et al., 2000; Paolillo & Vitell, 2002). For example, Butterfield et al. (2000) constructed several new scenarios and pilot-tested them with MBA students in preparation for using the scenarios with a study sample that consisted of competitive intelligence (CI) practitioners. Nevertheless, as mentioned previously, most prior research uses vignettes that have already been pretested and evaluated for realism, but with slight adjustments to create more realistic experiences relating to their study contexts (Cohen et al., 2001; Cohen & Bennie, 2006; Cohen et al., 1998; Musbah et al., 2014).

The present study pretested the seven written vignettes with several individual experts who would not be engaged with the actual data collection phase, and thus addressed the concerns of Wilks (2004) that experts should pretest the instruments. For this study, these experts consisted of 13 accounting academics and eight accountants. The academics were from universities in New Zealand and Sri Lanka. They all teach accounting-related subjects, and had prior industry experience. The accountants were members of professional accounting bodies in either Sri Lanka or New Zealand; they were university graduates with an undergraduate degree and professional work experience. Four of the accountants were from New Zealand and four from Sri Lanka. While face-to-face interviews were conducted with new Zealand participants, skype interviews were done with Sri Lankan interviewees. All these pre-testing interviews were conducted during March 2015.

When conducting interviews with pretest participants, it is important to minimise social desirability response bias. In line with Butterfield et al. (2000), the respondents in this study were asked to think about how the 'protagonist' would view the situation rather than to provide their own views. In addition, the participants were informed that there were no right or wrong answers. As Butterfield et al. (2000) explain, this approach ensures that the possible effects of social response bias are typically minimised. Finally, using experts or professionals

who were not involved in the study to pretest the ‘realness’ of the hypothetical scenarios enhanced its validity.

Semistructured interviews using the written vignettes as their basis were undertaken to obtain additional insights from the pretest participants on the various ethical dilemmas presented (see Appendix 1 for the pretesting interview guide). Each interview took approximately 30 minutes. In the interviews, the pretest participants were asked to indicate whether or not they agreed that the situations presented in the seven vignettes represented ethical dilemmas in terms of their perceived degree of importance to accountants and their level of realism. The participants were also asked to rank the ethical scenarios and to explain the rationale for their choices. Once all the pretesting interviews with the experts had been concluded, they were transcribed and analysed.

Data were collected from interviewees on the vignettes’ perceived level of importance, level of realism, and overall ranking. To rank the level of importance of the individual vignettes, the respondents were asked to select a rating on a Likert-like scale of 1 to 5 to the question: How would you rate this ethical dilemma with reference to its importance to accountants? The options ranged from 1. “not important at all to accountants” and 5. “very important to accountants”. If the interviewees identified the ethical dilemma in the vignette as very important, the researcher rated the statement as a ‘5’. Likewise, when respondents recognised the ethical dilemma as very unimportant the response was rated ‘1’. The scores were summed and the mean calculated. The higher the score the more important that particular ethical dilemma is to accountants. (see Table 13 for the mean values.) Second, to assess the perceived level of realism of the ethical dilemmas, interviewees were asked to choose a rating on a Likert-like scale of 1 to 5, where 1 represented “not realistic at all” and 5 “very realistic” in answer to the question: “How would you rate this ethical dilemma on a 5-point Likert-like scale from ranging ‘not realistic’ to ‘very realistic’?” As before, the scores were summed and the mean calculated. (see Table 13 for the mean values.) Finally, respondents were asked to consider how realistic and important the vignettes were and rank them from 1 to 7. The fourth column in Table 13 shows the “overall ranking mean scores”.

Here a mean score of 1 represents the most realistic and important vignette whereas a score of 7 represents the least realistic scenario.

Table 13. Mean values of the importance level, realistic level, and overall ranking

Vignettes	Mean score of Importance Level (5 being the highest level)	Mean score of Realistic Level (5 being the highest level)	Overall ranking mean scores (1 being the highest and 7 being lowest)
1	3.9	4.5	2.3
2	4.6	4.2	3.6
3	4.2	4.8	2.1
4	4.5	4.0	2.7
5	3.7	3.9	3.4
6	2.7	3.0	5.8
7	3.6	4.4	4.3

Source: Author

As reflected in the Table 13, the mean scores for the first four vignettes showed that they were considered to be the most important to accountants. The first three and the final vignette in Table 13 were, however, considered the most realistic by the pretesters. When the vignettes were ranked according to their overall realism and importance, the pretesters ranked vignettes number 1, 3, 4, and 5 as the most relevant.

Vignettes 1 and 3 were, therefore, chosen as the most important and realistic as they met all three criteria. The next step was to select two further vignettes from the remaining five. Vignette 6 was removed since it had the lowest importance and realism and the highest mean score from the overall ranking. A final choice was made from vignettes, 2, 4, 5 and 7. As vignettes 2 and 4 had two acceptable mean values in all three criteria, they were selected. The first four vignettes shown in Table 14 were, therefore, considered to be the most important and realistic for use in studying ethical decision-making in the context of a developing country with a unique cultural context, in this instance Sri Lanka.

Table 14. The selected vignettes

No	Vignettes
1	<p>Accepting gifts An accountant of a bank arranged a large loan for a valued client to establish a tourist hotel. Once established, the client invited the accountant and his family to the hotel's opening ceremony. Several months later, the accountant was offered a gift voucher for a 3-night luxury holiday package (all-inclusive). The accountant believes that returning the gift voucher would insult the client. Action: The accountant accepts the voucher and does not disclose it to his colleagues in the bank.</p>
2	<p>Adjusting financial information A company suffers a short-term decline in sales, which has resulted in the Times Interest Earned (TIE) ratio falling below the levels required by the bank covenant. The accountant of the company has already seen an upturn in forward orders and identified that there is an opportunity to postpone some write-offs of bad debts to stay above the bank covenant. Action: The accountant postpones some "write offs" of bad debts.</p>
3	<p>Stealing confidential information from a competitor A friend offers to give some confidential information about his former company that is a competitor with your company, in return for a recommendation letter from you. You are the accountant, one of two people being considered for a big promotion and understand that you can use this information to gain a competitive advantage in the promotion process and for your company. Action: The accountant provides the letter of recommendation in return for the confidential information.</p>
4	<p>Making extraordinary payments You are the accountant in a vehicle importing company. Your company is currently competing with several others for a large contract to import a number of luxury vehicles for a government department. The accountant receives a phone call from an official from the government department. The government official promises to approve the company bid, provided the company pays a "commission of Rs. 2.5 million" to him. Action: The accountant agrees to pay the "commission" in order to have their bid approved.</p>

Source: Author

The selection of the four vignettes above was supported by the explanations received from the 21 experts. The dilemma presented in vignette one was viewed as a common one for accountants. The majority of professionals from both Sri Lanka and New Zealand strongly believed that the action of the accountant was unethical and they had similar viewpoints regarding the acceptance of gifts.

A number of participants agreed that the scenario portrayed in vignette two presents a difficult ethical position for accountants. Many of the interviewees claim that the situation in this vignette reflects a common practice in both countries. The majority of the participants viewed the action of the accountant in vignette two as unethical. Overall, irrespective of their cultural backgrounds, the interviewees were in agreement that accountants tend to face similar ethical dilemmas in both countries

including financial and nonfinancial adjustments, and are likely to perceive such dilemmas in the same way.

The interview participants shared similar viewpoints with regard to the stealing of information portrayed in vignette three. They supported the professional behaviour laid down in the codes of ethics. All the participants felt that the accountant should not have provided a recommendation letter in return for the confidential information.

Vignette four dealt with making extraordinary payments, which is the same as paying a bribe. All the respondents felt that this issue can be very common in developing countries, as well as developed countries such as Italy and Spain. In addition, all of them saw the situation in this scenario as unethical. In contrast, all the Sri Lankan respondents admitted that similar situations could occur in Sri Lanka as well as in some other developing countries. Thus, the overall implication in this vignette is that Sri Lankan culture has a significant impact when it comes to making extraordinary payments such as bribes.

Minor revisions were made to the wording of the four selected vignettes based on the pretesting interviewees' comments. These adjustments were considered necessary to eliminate any unnecessary flexibility that could give respondents the opportunity to hedge their responses during the actual data collection process. The selected vignettes are shown in the questionnaire survey instrument in Appendix 6.

Pretesting of the questionnaire

The goal of the pretesting of the questionnaire was to validate and to test the reliability of the instrument. Babbie (2013) claims that no matter how carefully researchers design a questionnaire, there is always the possibility of errors and mistakes. Therefore, Leech, Barrett, and Morgan (2008) argue that examining the reliability and validity of a survey instrument can minimise errors that might arise from measurement problems in data analysis. Accordingly, the pretesting was conducted with several accountants in Sri Lanka and the wording of several questionnaire items was revised based on the results.

Making the video vignettes

Video vignettes were used by Eskelinen and Caswell (2006) in a study that compared social work practice in teams. As mentioned earlier, they argue that a video is a richer and more appealing form of material than a text and that it is easier for respondents to understand the situation and identify with it. In this study, the four 'written' vignettes were converted into 'video form' for use in data collection through interviews. As explained by Eskelinen and Caswell (2006), a video vignette should be authentic and simulate reality and it should contain an understandable story with sufficient context. The current study's use of video vignettes is not only unique in the context of the ethical decision-making of Sri Lankan accountants, but also strengthens the research process.

A number of steps were involved in the preparation of the videos. The first step was to develop scripts for the four chosen written vignettes and to convert them into video form. Hillen et al. (2013) highlight several important factors to consider when developing a valid script. These include: the foundation of the script (literature, experience or real-life interactions); the proportion of the consultation scripted; establishing realism; and, developing an introduction (Hillen et al., 2013, p. 305).

Bearing Hillen et al. (2013) considerations in mind, a storyboard was created for each vignette and scripts were written. The implicit story behind the written vignette, drawn from the experiences of the author and shaped by the group of experts, was used to design the scenes. This resulted in the first and third vignettes having two scenes, while the second and fourth vignettes had a single scene. A professional video maker reviewed the scripts and advised on their coherence for the viewer. The expertise of all involved contributed towards the script's realism with regard to communicative behaviour, context, and the relevance to the original vignettes. In order to better present the scenarios, an introductory sentence introduced each scene. This information enabled the interviewees to familiarise themselves with the setting and characters, and allowed them to quickly focus on the communication aspects of the video.

Second, the video vignettes had to be recorded. Several Asian postgraduate and undergraduate students volunteered to play roles in the scripts. Seven actors had Sri Lankan origins and two were Indian. Sri Lankan character names added 'flavour' to the videos. No individual or organisational variables were incorporated into the actual scenes in the video. As explained by Hillen et al. (2013), the design of a video vignette study requires actors to follow the script and repeatedly play several slightly different versions of the same script. The actors were given the opportunity to rehearse the scripts several times in front of the camera. Although the actors made most of the modifications while rehearsing the dialogue, minor variations were made to the original script where the actors considered that doing so made the context more realistic. These variations enabled verbal and nonverbal changes to be incorporated into the final video. As Hillen et al. (2013) explain, both verbal and nonverbal manipulations improve the realism and internal validity of the scripts. Once the recording process had been completed, the videos were ready for pretesting.

Pretesting of video vignettes

The objective of pretesting the video vignettes was to ensure their validity. While pretesting may help to test the basic script, the manipulations, and the final video-recordings, pretesting the video vignettes is important to address questions such as familiarity and generalisability of vignettes to the interviewee subjects (Lehnert et al., 2015; Randall & Fernandes, 1991). According to Hillen et al. (2013), pretesting videos can enhance not only internal validity, but also external validity, by investigating their realism and participants' involvement with the videos. In this study, peer researchers and three potential interviewees who are accountants were asked to pretest the videos. To test for realism and validity, they were asked either: "Do they think the videos are understandable?" or "Is the ethical dilemma presented in the video realistic?" The participants' responses ensured that realism, involvement, and successful manipulation were reached. The pretested videos were recorded onto a compact disc and they are provided along with the thesis.

6.2.3 Selecting the sample

The majority of ethical decision-making studies in accounting have selected students as their samples. Few studies have been based on a sample of practitioners or accountants. Lehnert et al. (2015) argue that “sample selection should be guided by concerns for generalizability, and that easy availability of student sample should not be the driver of sample decisions” (p. 210). Similarly, Loe et al. (2000) argue that the impact of the use of student samples in many of the studies has been questioned, as students are inexperienced in life and also in the workplace. Therefore, this study chose accountants who are members of at least one of the professional accounting bodies in Sri Lanka as its sample.

The target population of the present study consists of accountants who are members of one or more of the professional accounting bodies in Sri Lanka, including CASL, CIMA, ACCA, and CMA. Moreover, accountants were selected from different types of organisations that are subject to certain business practices: accounting firms, business organisations, or government departments. Accountants who work in sectors other than those mentioned above are excluded from the sample. For example, a CASL member who works in an academic sector and so is also in a similar position as the researcher (CASL and CMA member and is employed in the academic sector) would not be suitable for inclusion in the sample. In addition, this study’s sample was limited to professional accountants currently working in Sri Lanka. The sampling methods along with the sample used for the interviews and questionnaire survey are discussed separately below.

Selecting interviewees

Interviewees for the semistructured interviews were selected in line with several different sampling methods; these were a purposive sampling method and a snowballing sampling technique. Patton (2015) claims that more than one sampling technique can be used within a given study. Hesse-Biber (2010) argues that qualitative researchers are often interested in choosing a purposive sample which is based on the particular research question, as well as consideration of the resources available to the researcher. As argued by Babbie (2013), purposive sampling (also known as judgemental sampling)—a nonprobability sampling technique—can be

done in a systematic way based on the knowledge of the target population. This form of sampling is appropriate in this study, given that it was essential to contact a specialised population such as different groups of accountants to reflect various characteristics (Babbie, 2013).

The initial plan was to choose participants across all three categories i.e., different work organisations, all professional accounting bodies in Sri Lanka, and in accordance with various academic qualifications obtained by accountants. During the initial stages of the interview process, it was realised that it was hard to access people based on those criteria, due to a dearth of respondents who fitted into all three categories. Therefore, only one criteria—work organisation—was focused on as the basis on which to choose accountants for the study. Accordingly, the first few accountants were selected from different work organisations using purposive sampling; these accountants came from accounting firms, business organisations, and government departments. Once the initial interviews had been completed, a snowball sampling technique was applied to access members of the population. In sum, it was possible to select 40 respondents for interview. Interviews were conducted between July 2015 to January 2016.

Selecting respondents for the survey

Probability sampling is the most recommended sampling technique in survey research, because it can be used when a researcher needs a representative sample of the whole population under investigation, and because it involves selecting a sample using a random-sample selection mechanism (Babbie, 2013). Within accounting ethics survey research, sample populations for accountants are generally obtained from several sources: mailing lists from the professional accounting bodies and accessing accountants in organisations (Cohen et al., 2001; Cohen & Bennie, 2006; Karcher, 1996; Loeb, 1971; Musbah et al., 2014).

Although it was planned to obtain mailing lists of their members from each professional accounting body in Sri Lanka (CASL, CIMA, ACCA and CMA), the effort was unsuccessful for a number of reasons; these included the fact that no

mailing list was available from some accounting bodies, the large number of accountants who are members of these bodies, and, financial and time constraints.

Consequently, an attempt was made to gather a random sample of participants through other channels. First, 21 of the 50 questionnaires that had been distributed and completed by attendees at the 36th National Conference of the CASL³⁰, which was held in November 2015, were collected. Three of these questionnaires were, however, excluded because they had been completed by self-employed accountants. Second, 11 questionnaires were collected from members of the CASL Toastmaster workshop³¹, which was held in November 2015, out of the 20 distributed. Third, around 600 questionnaires were distributed to 12 accounting firms, 16 business organisations, and eight government organisations. After repeated telephone calls and reminders over several weeks, 306 completed questionnaires were finally collected. These questionnaires were distributed and collected between September 2015 to February 2016. However, 11 of these were incomplete and as such were not usable. As shown in Table 15, 670 questionnaires in total were distributed.

Table 15. Response rates

Questionnaires	Number of questionnaires	Percentage of total distributed questionnaires (%)
Distributed (50+20+600)	670	100
Collected (21+11+306)	338	50.45
Unusable (3+11)	14	2.09
Usable	324	48.35

Source: Author

As shown in Table 15, the total number of usable questionnaires was 324, yielding a 48.35% response rate. As argued by Randall and Gibson (1990), response rates ranging from 21% to 50% are common in business ethics literature. Thus, the response rate of this study is within the acceptable range and is consistent with other business and accounting ethics studies. According to Randall and Gibson (1990), a large sample size can minimise sampling errors, and explore the heterogeneity of the population. When a large sample is attained the issue of the nonresponse rate is

³⁰ The 36th National Conference of the CASL was held at Bandaranaike Memorial International Conference Hall (BMICH) in Sri Lanka.

³¹ CASL Toastmaster workshop was held at CASL business school premises.

not crucial and so does not undermine the validity of the collected data (Randall and Gibson, 1990). For example, Randall and Gibson found that only 1 of 34 business ethics survey papers reported on the possibility of nonresponse bias. In particular, Bampton and Cowton (2013) argued that a majority of accounting ethics survey papers (55%) did not address the issue of nonresponse bias. As advised by them, attention has been paid to minimise non-response bias.

It is acknowledged that the problems associated with obtaining the sample group for the questionnaire survey may thus have led to bias in responses. Nevertheless, numerous methods were adopted to ensure objectivity was obtained, and minimise non-response bias during the data collection. First, respondents were not requested to provide their names or the name of the work organisation, thus anonymity was ensured. Each completed questionnaire survey was identified by a number. Second, participation was voluntary, and respondents were advised they could choose not to answer any question or withdraw from the study at any time. Third, respondents were advised that their responses would be kept confidential. Fourth, the researcher herself reached organisations and distributed questionnaires to potential participants. Fifth, the respondents were advised to take sufficient time to complete questionnaires.

6.2.4 Data collection and analysis: Interviews and questionnaire surveys

Interview data collection and analysis

The interviews were aimed at capturing insights that would enable the researcher to answer the study's research questions. Each interview took about 40-50 minutes. Interviewees were provided with the consent form, the participant information sheet (see Appendix 3 and Appendix 4) and the interview guide (see Appendix 5). Participants gave their agreement to being interviewed before the interviews commenced.

During the interviews, video vignettes were played to the interviewees. The interview followed the guide with only minor deviations in a few cases. For instance, the sequencing of the questions was changed when participants answered several

questions together. The interviews were recorded on a digital voice recorder and later transcribed verbatim. The job of transcribing the interviewees was undertaken by the researcher herself, even though this was an intensive and time-consuming task.

This study used content analysis to analyse the interview data and to categorise accountants' responses into themes that were generated manually. Krippendorff (2013) defines content analysis as “a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use” (p. 25). Particularly, qualitative content analysis is defined by Hsieh and Shannon (2005) as “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (p. 1278) and it focuses on “capturing definitions, process, meanings, and type” (p. 1278).

Questionnaire data collection and analysis

The purpose of the questionnaire survey was to gather quantitative information to examine the association between various factors that influence the ethical decision-making process of accountants. The findings of the interview data were helpful in confirming the questionnaire survey items. In particular, the interview findings revealed that almost all the participants argued that the family background and upbringing of individuals influence their ethical decision-making process irrespective of their profession. Therefore, a new question was added to section 1—demographic questions—in the original questionnaire survey instrument in order to examine the impact of family background and upbringing on an individual's ethical decision-making process. The final version of the questionnaire was the one which was pretested and refined after interviewing accountants (see Appendix 6 for questionnaire). The following section explains how to measure the dependent and independent variables included in the questionnaire instrument.

Dependent variable measures

Rest’s (1986) ethical decision-making process components are the dependent variables in this study. Ethics research using vignettes has shown that the ethical decision-making process components are better measured using multiple vignettes (Cohen & Bennie, 2006; Karcher, 1996; May & Pauli, 2002). Hence, the ethical decision-making process components were operationalised with four vignettes in this study and three closed-ended statements, as shown in the example provided in Figure 12 (see first three statements).

Figure 12. A vignette extract from the questionnaire survey.

Scenario 1: Accepting gifts						
An accountant of a bank arranged a large loan for a valued client to establish a tourist hotel. Once established, the client invited the accountant and his family to the hotel’s opening ceremony. Several months later, the accountant was offered a gift voucher for a 3-night luxury holiday package (all inclusive). The accountant believes that returning the gift voucher would insult the client.						
Action: The accountant accepts the voucher and does not disclose it to anyone in the bank.						
	Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Ethical Awareness	1. The above situation involves an ethical dilemma.					
Ethical Judgement	2. The accountant should not accept this gift from the client.					
Ethical Intention	3. If I were faced with the same situation, I would accept the gift (Reverse-coded).					
Magnitude of Consequences	4. The action taken by the accountant has not resulted in any harm to immediate stakeholders (for example bank, colleagues or clients). (Reverse-coded)					
Social Consensus	5. Society as a whole would agree that accepting valuable gifts from clients is unethical.					
Temporal Immediacy	6. The above action is unlikely to cause any harmful consequences in the future. (Reverse-coded)					

Source: Author

Respondents were required to read each vignette and, on a 5-point Likert-type scale (ranging from (1) “strongly disagree” to (5) “strongly agree”), to indicate their level of agreement with the first three statements at the end of each vignette. These three

statements were used to measure the first three components stages of Rest's (1986) model: awareness; judgement; and, intention using single-item scale, closed-ended statements. While the first statement measured the identification of an ethical dilemma, based on Singhapakdi et al. (1996), statement two was designed to measure ethical judgement, and is based on May and Pauli (2002). Statement three is intended to measure ethical intentions in accordance with Singhapakdi et al. (1996). Similar types of statements have been used and validated in a number of accounting ethics studies (Musbah et al., 2014; O'Leary & Stewart, 2007; Sweeney & Costello, 2009). Additionally, the measurement item of ethical intention was worded negatively; thus, the responses were reverse-coded prior to performing statistical analysis.

Independent variable measures

As discussed in chapter 5, this study includes several independent variables (see section 5.2). Accordingly, four types of independent variables were included in the questionnaire survey: individual; organisational; professional; and, moral intensity dimensions.

The first independent variables included in the questionnaire were individual variable measures: gender; age; educational level; professional qualification; impact from the family background; religion; and, religiosity. All individual variables, except religiosity, are operationalised with one item on the survey. Some of the variables such as gender and religion are straightforward. With regard to age, participants were required to indicate the age group to which they belong. The education level was examined in terms of academic qualifications obtained, professional qualifications, and coverage of ethics education in academic and professional education. (see Table 16 for a summary of the variables with reference to the corresponding questionnaire survey items).

Table 16. Independent variables references in the questionnaire instrument

Independent variables	Item reference to the questionnaire survey	Statistical Analysis
Individual factors		
Gender	Sec 1 – Q 1	<i>T</i> -test/Mann-Whitney <i>U</i> test
Age	Sec 1 – Q 2	ANOVA test/Kruskal-Wallis tests
Education—Highest academic qualification	Sec 1 – Q 3	<i>T</i> -test and ANOVA test/Mann–Whitney <i>U</i> test and Kruskal-Wallis tests
Did the participant take any courses covering ethics in his/her academic qualification?	Sec 1 – Q 4	<i>T</i> -test/Mann-Whitney <i>U</i> test
Education—Professional qualification	Sec 1 – Q 5	<i>T</i> -test ANOVA test/Mann-Whitney <i>U</i> test and Kruskal-Wallis tests
Did the participant take any ethics courses in his/her professional qualification?	Sec 1 – Q 6	<i>T</i> -test/Mann-Whitney <i>U</i> test
Religion	Sec 1 – Q 11	<i>T</i> -test/Mann-Whitney <i>U</i> test
Impact of family background	Sec 1 – Q 12	ANOVA test/Kruskal-Wallis tests
Religiosity scale (see Table 17)	Sec 1 – Q 13	PLS-SEM
Organisational factors		
Does the company have a code of ethics or any kind of ethical guidelines	Sec 2 – Q 1	<i>T</i> -test/Mann-Whitney <i>U</i> test
Work organisation	Sec 1 – Q 7	ANOVA test/Kruskal-Wallis tests
Level of management	Sec 1 – Q 8	ANOVA test/Kruskal-Wallis tests
Years of work experience	Sec 1 – Q 9	ANOVA test/Kruskal-Wallis tests
Has the respondent participated in any ethics training courses?	Sec 1 – Q 10	<i>T</i> -test/Mann-Whitney <i>U</i> test
Organisational culture scale (see Table 18)	Sec 2 – Q 2	PLS-SEM
Professional factors		
Familiarity with codes of ethical conduct scale (see Table 19)	Sec 3 – Q 1	PLS-SEM
Moral intensity (Repeated for all four vignettes)		
Magnitude of consequences	Sec 4 – Statement four	PLS-SEM
Social consensus	Sec 4 – Statement five	PLS-SEM
Temporal immediacy	Sec 4 – Statement six	PLS-SEM

Source: Author

Consistent with several prior studies (Allport & Ross, 1967; Chen & Tang, 2013; Clark & Dawson, 1996; Kurpis et al., 2008; Mazereeuw-van der Duijn Schouten et al.), the religiosity factor in this study is based on two motivations, namely intrinsic and extrinsic motivations. First, the extrinsic religiousness scale used in this study was developed primarily from two scales: the religiosity index (RI) of the assessment of spirituality and religious sentiments (ASPIRES) developed by Piedmont (2009) and the extrinsic religiousness scale developed by Mazereeuw-van der Duijn Schouten et al. (2014). The extrinsic religiosity scale of the present study was operationalised by a four-item scale using a 5-point Likert-type scale (1 = Never; 5 = Daily) with slight modifications in wording in section 1 of the questionnaire (see Table 17). The RI of the ASPIRES scale was also validated with a diverse religious sample from Sri Lanka (Piedmont et al., 2009). Second, the intrinsic religiousness scale of this study was developed from the scale developed by Mazereeuw-van der Duijn Schouten et al. (2014); their scale was developed to measure the religiousness of mainly Christians. Therefore, one statement was completely removed and a new statement was included (see IR7 in Table 17). In addition, the wording of several other statements was amended slightly in order to measure the intrinsic religiosity of a follower of any religion. Further, three of the intrinsic religiosity statements were worded negatively; thus, these items were reverse-coded. The scale used in this study includes eight items with a 5-point Likert-type scale (1 = strongly disagree; 5 = strongly agree).

The second independent variables included in the questionnaire were organisational variables: level of management; length of work experience; type of work organisation; availability of a code of ethics or any kind of ethical guidelines; and, an organisational culture scale. Participants' were categorised according to their management level in their organisations in terms of top/senior, middle, junior or entry level management. Their length of work was categorised as follows: less than 5 years' experience; between 5 and 10 years; 11 and 15 years; 16 and 20 years of experience, and greater than 20 years' experience. Type of work organisation was categorised as accounting firm, business organisation, or government organisation.

Table 17. Extrinsic religiosity and intrinsic religiosity

Questionnaire items (Section 1 - item #13)	Acronym
Extrinsic Religiosity (ER)	
a) How often do you visit Temple/Church/Mosque/Hindu Kovil/Any other place of worship?	ER1
b) How often do you attend religious services?	ER2
c) How often do you read Buddhist teachings/Bible/Koran/Geeta/Any other?	ER3
d) How often do you worship/pray?	ER4
Intrinsic Religiosity (IR)	
a) I enjoy reading about my religion.	IR1
b) My religious beliefs do not matter provided I am a good person. (Reverse-coded)	IR2R
c) I try hard to live my life according to my religious beliefs.	IR3
d) Although I am religious I don't let it affect my daily life. (Reverse-coded)	IR4R
e) My whole approach to life is based on my religion.	IR5
f) Although I follow my religion, other things are more important.	IR6
g) My religious beliefs affect my decision-making at my workplace.	IR7
h) In a commercial environment, I am occasionally forced to compromise my religious beliefs. (Reverse-coded)	IR8R

Source: Author

In order to measure organisational ethical culture, 12 statements were included in the questionnaire; these asked accountants to indicate the extent to which they agree or disagree with each statement on a 5-point Likert-like scale. Organisational ethical culture questions were based mainly on the study by Sweeney et al. (2010) who designed their questions to examine the ethical culture of accounting firms. Similar to Sweeney et al. (2010), three subscales of ethical culture: unethical tone at top (UTT); lack of timely penalties (LTP), and unethical pressures (UP) were used to measure organisational ethical culture. Several amendments were made to the original scales in order to match with the ethical culture of different organisational types, including accounting firms, business organisations, and government organisations in Sri Lanka. Accordingly, additional questions were designed and the wordings of the questions were amended. For example, Sweeney et al. (2010) considered only managers, partners, and trainees in their unethical tone at the top scale (UTT), whereas this study included senior, middle, junior, and entry level management in the UTT scale (see Table 18). As depicted in Table 18, each subscale included several items as follows: unethical tone at the top (seven

statements: UTT 1-7); lack of timely penalties (three statements: LTP 1-3); unethical pressure (three statements: UP 1-3). In addition, two of the statements relating to unethical tone at the top items were worded negatively; thus, prior to performing the statistical analysis, these items were reverse-coded (UTT6 and UTT7).

Table 18. Organisational ethical culture: UTT, LTP, and UP

Questionnaire Items (Section 2-tem # 2)	Acronym
a) Colleagues at the following levels in my workplace have occasionally engaged in unethical decision-making:	
·Senior level	UTT1
·Middle management level	UTT2
·Junior management level	UTT3
·Entry level	UTT4
b) Unethical decision-making is acceptable if it results in:	
·Personal gain (rather than merely gain to the firm)	LTP1
·Gain to the firm (rather than merely personal gain)	LTP2
·Wider societal benefits (rather than personal or gain to the firm)	LTP3
c) Occasionally it is necessary to compromise one's work ethics.	UP1
d) Unethical behaviour is not accepted at my workplace.	UTT5
e) I feel that ethics at my workplace is only "window-dressing".	UP2
f) Unethical behaviour is punished at my workplace. (Reverse-coded)	UTT6R
g) Ethical behaviour is rewarded at my workplace. (Reverse-coded)	UTT7R
h) On some occasions, I have been pressured by colleagues in my workplace to put profitability ahead of the quality of the work or accept their decisions that are unethical in nature.	UP3

Source: Author

The third type of independent variables included in the questionnaire are professional variables. This study incorporates Sri Lankan accountants' familiarity with codes of ethical conduct, i.e., the existing ethical codes, as a professional variable measure. Although prior studies have examined the impact of codes of professional ethics on ethical decision-making (Flanagan & Clarke, 2007; Loeb, 1984, 1986; Modarres & Rafiee, 2011; Pitman & Radtke, 2005; Velayutham, 2003), there is a lack of scales to examine the adequacy of codes in the accounting profession. Thus, in referring to a code of ethics, this study incorporates six statements to reveal whether accountants are familiar with the ethical codes of their professional bodies (see Table 19).

Table 19. Familiarity with professional code of ethics

Questionnaire Items (Section 3)	Acronym
a) The Code acts to clarify what behaviour is expected of members of accounting bodies.	PCE1
b) The Code encourages members to confirm whether certain behaviour is acceptable.	PCE2
c) According to my understanding, the Code helps to prevent unethical professional behaviour.	PCE3
d) The Code spells out the consequences of unethical professional behaviour.	PCE4
e) I am familiar with ethical principles as set out in the Code.	PCE5
f) The Code helps me to prioritise the interests of the public, ahead of self-interest and interests of the other stakeholders.	PCE6

Source: Author

The fourth independent variable included in the questionnaire concerns moral intensity constructs. Although the vignettes embody ethical dilemmas that accountants encounter in practice, these scenarios possess varying degrees of moral intensity (Goles et al., 2006; Musbah et al., 2014; Singhapakdi et al., 1996; Sweeney & Costello, 2009). As explained in chapter 5, the selected three dimensions of the moral intensity construct were measured using three close-ended questions drawn from Singhapakdi et al., (1996) (see statements four to six at the end of each vignette in the questionnaire, and see Figure 12 for one example). The answers to those three statements were measured on the 5-point Likert-type scale ranging from 1 “strongly agree” to 5 “strongly disagree”. However, two of the moral intensity items were worded negatively; thus, prior to performing the statistical analysis, these items were reverse-coded. A number of studies have validated these statements in the accounting and auditing context (Butterfield et al., 2000; Leitsch, 2006; May & Pauli, 2002; McMahon & Harvey, 2007; Musbah et al., 2014; O’Leary & Stewart, 2007; Paolillo & Vitell, 2002; Sweeney & Costello, 2009).

Preparation of the data set for analysis

During the preliminary data analysis, data were entered into an Excel spreadsheet and then transferred into SPSS (version 22). They were then checked for manual errors and screened to examine whether the original data were entered correctly. Patterns of data were examined through straight-lining i.e., where a respondent marks the same response for a high proportion of the questions (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014). Several preliminary analyses were carried out

with regard to missing values (non-response bias), outliers, and data distributions, as explained below.

First, with regard to missing values, a code “99” was used to represent the missing values by indicating there are no recorded values in the SPSS statistical package. According to Hair, Black, Babin, and Anderson (2010), the missing value upper limit of a study is 15%, and any cases in excess of that can potentially bias final results. The nine cases that had more than 15% of missing value percentage were deleted from the analysis before arriving at the final sample of 315. Such deletion of cases maximises a study’s validity, even in the presence of high rates of nonresponse (Little, Jorgensen, Lang, & Moore, 2014; Tabachnick & Fidell, 2013). After deleting those nine cases, it was found that for the remaining cases there were 47 missing value items in the dataset out of the 65 questionnaire items (see Appendix 7 and Appendix 8 for missing value count, and for an overall picture, refer to Appendix 9). However, the data set had only a very few missing values per indicator (the limit is 5%) (Hair, Hult, Ringle, & Sarstedt, 2017), with the highest being 1.3%. Thus, those missing values were treated during the data analysis stage. For example, SmartPLS3—the software used to perform partial least squares structural equation modelling (PLS-SEM)—offers three ways of handling missing data: 1) mean value replacement; 2) casewise deletion; and, 3) pairwise deletion. Since this data set consists of less than 5% values missing per indicator, mean value replacement is recommended as a rule of thumb by Hair et al. (2017), and that approach was applied in this study in analysing data.

In addition, the presence of outliers in a data set can exercise an uneven impact on statistical analysis and provide misleading results (Field, 2013). Therefore, the data set was checked for extreme responses to all the questions in the questionnaire. IBM SPSS statistics has an option called “Explore” that develops box plots and stem-and-leaf plots to facilitate the identification of outliers by respondent number. As no cases needed to be removed, the data set was found to be free from outliers.

Data distribution was examined during preliminary data analysis prior to selecting data analysis tools. In particular, normality data is a criterion for selection of parametric or nonparametric statistical tests. As depicted in Table 20, two measures

including skewness and kurtosis are suggested as a way to assess data distributions (Tabachnick & Fidell, 2013). While skewness explains the symmetry of the distribution, kurtosis provides the peakedness of a distribution (Tabachnick & Fidell, 2013). When the values of skewness and kurtosis values are close to zero, the data distribution seems to be normal. Thus, for data to be normally distributed, the rule of thumb for skewness and kurtosis values is that they should be between -1 and 1 (Field, 2013).

As depicted in Table 20, the data distribution of the dependent variables was moderately skewed; thus, the data set seemed to be nonnormal. Ethical awareness in all the vignettes seemed to be highly skewed: that is, greater than 1.0. As the table shows, the data distribution of ethical judgement was less skewed for the first and fourth vignettes, while highly skewed for the second and third vignettes. With regard to ethical intention, almost all of the four vignettes were less skewed. Therefore, several nonparametric and parametric tests were used to analyse the data on the basis of the research objectives. In particular, when parametric tests were used, the equivalent nonparametric tests were performed as a robustness check.

Table 20. Descriptive statistics of the dependent variables ($N = 315$)

Dependent variables		Skewness	Kurtosis
Ethical awareness	Vignette 1	-1.138	1.197
	Vignette 2	-1.089	1.132
	Vignette 3	-1.196	1.217
	Vignette 4	-1.278	1.610
Ethical judgement	Vignette 1	-0.477	-0.678
	Vignette 2	-1.037	1.630
	Vignette 3	-1.320	-1.320
	Vignette 4	-0.885	0.494
Ethical intention	Vignette 1	-0.504	-0.721
	Vignette 2	-0.709	-0.318
	Vignette 3	-1.031	-1.031
	Vignette 4	-0.753	0.086

Source: Author

In addition, the questionnaire survey items (independent factors—individual, organisational, professional, and moral intensity dimensions) are either categorical

or scale in nature. Considering all these results, several data analysis techniques were selected to analyse data, and these are discussed in following sections.

Selection of data analysis tools

The selection of the data analysis tools depends upon the objectives of the study, the nature of the data set, and characteristics of items in the questionnaire. The main objective of the quantitative data analysis in this study was to examine the relationship between numerous independent factors and three dependent variables around accountants' responses on awareness, judgment, and intention in four vignettes. In order to achieve this objective, several parametric and nonparametric statistical tests were chosen (see Table 16); they are described in the following sections.

Analysis of categorical variables: Using parametric and nonparametric tests

To analyse the impact from categorical variables on ethical decision-making processes, two types of parametric tests, including independent measures *t*-tests (*t*-tests) and one-way independent samples ANOVA tests, were used. While *t*-test compares the means of two groups to test for statistically significant difference between them, ANOVA tests provide the differences of means between more than two groups.

In addition to the above parametric tests, in examining the association between categorical variables and the ethical decision-making process, equivalent nonparametric techniques to *t*-tests and ANOVA tests were performed. These techniques were used because several of the dependent variables were highly skewed in this particular study and so could harm the normality assumption while using parametric tests. Therefore, the Mann-Whitney *U* test (alternative test to the *t*-test) and the Kruskal-Wallis test (alternative to ANOVA tests) were employed. These two tests are appropriate for nonparametric statistical testing when data are not normally distributed. While the Mann-Whitney *U* test compares two related samples that have data from repeated measures, the Kruskal-Wallis test compares two or more independent samples of equal or different sample size. The main reason

for employing nonparametric analysis techniques was to ensure the robustness of the data set and check whether there were any variations in results.

Analysis of scale variables: Partial least squares structural equation modelling (PLS-SEM)

To analyse the impact from scale variables on the ethical decision-making process of the participants, a nonparametric data analysis technique, i.e., partial least squares structural equation modelling (PLS-SEM) was used. As argued by Sarstedt, Ringle, Smith, Reams, and Hair (2014), “analytical rigour and sophistication in research methods are important to innovation in theory building in business research” (p. 105). One of the latest methods in this respect is structural equation modelling, which allows researchers to simultaneously examine a series of interrelated relationships between a set of constructs (e.g., scales). Although PLS-SEM has become a mainstream method in many fields of business research, its use in ethics business research is still at an early stage. For example, some studies have simply relied on descriptive and bivariate (e.g., correlation) analysis; however, more recent research places much greater emphasis on statistical modelling and analysis such as multivariate analysis. In particular, when examining the impact of various variables (constructs/scales), prior researchers on ethical decision-making processes have used regression techniques (Marques & Azevedo-Pereira, 2009; Musbah et al., 2014; Sweeney et al., 2010; Sweeney & Costello, 2009; Valentine & Bateman, 2011; Yang & Wu, 2009). Against this background, this study uses PLS-SEM. That method has gained momentum in various fields and has recently seen increased usage, as it offers an opportunity to advance the development and testing of theory in ethics research.

Justifications for employing PLS-SEM in this study

PLS (also called PLS path analysis) is a structural equation modelling technique originally developed by Wold (1974, 1980, 1982). According to Tabachnick and Fidell (2013), SEM³² is a collection of statistical techniques used to examine a

³² SEM has been known as a second-generation multivariate analysis, with many advantages over first-generation statistical techniques, including multivariate regression, factor analysis, and cluster analysis (Hair et al., 2014).

hypothesised set of relationships between independent and dependent variables simultaneously.

Hair, Ringle, and Sarstedt (2011) argue that three main reasons are given for employing PLS over other statistical methods: nonnormal data distributions, small sample sizes, and the use of formative indicators. Generally, social science researchers experience difficulties with data distributions; thus, highly skewed data can reduce the statistical power of the analysis (Haenlein & Kaplan, 2004; Lee, Petter, Fayard, & Robinson, 2011). Being an SEM technique, PLS is nonparametric in nature. It is primarily an exploratory multivariate data analysis technique which operates in a very similar way to multiple regression analysis in statistics (Hair et al., 2011). While traditional regression uses separate equations to examine hypothesised relationships, PLS allows the system of equations to be analysed simultaneously (Hair et al., 2014). Moreover, the use of latent variables in a regression analysis requires a two-step process, including principal component analysis and then multivariate analysis such as regression analysis (Hair et al., 2017), while with PLS, the relationship between a latent variable and its indicators (measurement model) as well as the relationship between constructs (structural model) are assessed simultaneously (Lee et al., 2011).

Peterson and Merunka (2014) claim that PLS-SEM is an evolving statistical modelling technique to analyse multiple variables. However, Lee et al. (2011) argue that PLS has not been popular among accounting researchers due to a lack of understanding of its benefits and applicability. Sarstedt et al. (2014) also assert that the value of new methods depends on “scholars’ willingness to learn, adopt and embrace these methods and think strategically about the research process” (p. 105). In addition, Nitzl (2016) claimed that PLS-SEM provides a useful tool for accounting researchers, “due to the high degree of flexibility it offers for the interplay between theory and data” (p. 20).

This study employs PLS-SEM on the following grounds: nonnormal distribution of the data set (see Table 20); large number of indicators (see Table 21); the ability to use latent variable scores in subsequent analysis; and, the complexity of the structural model having many constructs and indicators (see Figure 13). In

particular, the primary reason for employing path analysis in this study is its ability to examine how well religiosity, organisational culture, familiarity with professional code of ethics, and several moral intensity measures explain the ethical decision-making process (awareness, judgement, and intention) of Sri Lankan accountants.

Sample adequacy in PLS-SEM

The minimum sample size for PLS path model estimation should be the “10 times rule”: that is, 10 times the maximum of arrowheads pointing at a latent variable anywhere in the model (Haenlein & Kaplan, 2004; Hair et al., 2014). In this particular study, sample size requirement is 90 (9 arrowheads pointing at a latent variable (maximum) * 10 times) (please refer to Figure 13). However, Goodhue, Lewis, and Thompson (2006) argue that this “10 times” rule can lead to a low level of statistical power and so Marcoulides and Saunders (2006) suggest that researchers need to make sure they have a satisfactorily large sample size in order to support the conclusions of a study. As a way to determine the necessary sample size for PLS-SEM, Hair et al. (2017) suggest following guidelines provided by Cohen (1992) in the context of multiple regression analysis, using the statistical power in order. Following Cohen (1992), the minimum sample of this study would be such, for instance, that when the maximum number of independent variables in the model is 10, there should be a minimum sample of 59 to achieve a statistical power of 80% for detecting R^2 values of at least 0.25 with a 5% probability of error. In addition, there should be minimum samples of 156 (R^2 values of at least 0.10), 27 (R^2 values of at least 0.50) and 8 (R^2 values of at least 0.75) with a 5% probability of error. Even though PLS is recommended for a smaller sample, this particular study has no limitations in the sample, as it obtained 315 observations.

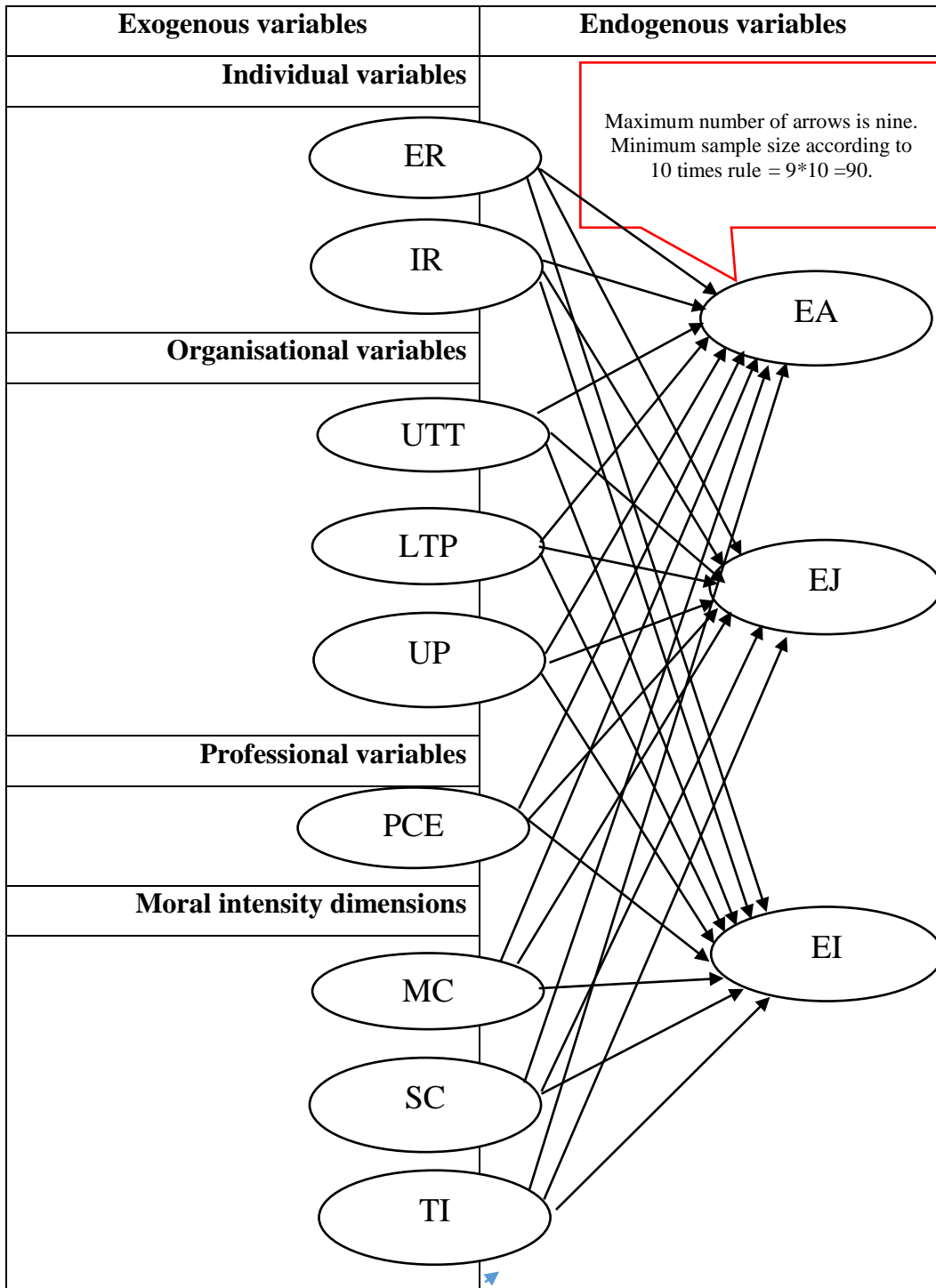
Specifying the initial structural model for the current study

According to Hair et al. (2017), the first step is to develop the structural model that is represented as a diagram showing the relationships between the constructs (latent variables). The structural model for this study is depicted in Figure 13. To illustrate the concept of the structural model of the study, the PLS path model is shown in

Figure 13 with nine exogenous latent variables on the far left in the model that have arrows pointing out of them and three endogenous latent variables that are shown on the right that have arrows pointing into them. This PLS path model is similar to the preliminary model developed in chapter 5 (excluding categorical variables). In the PLS path model the relationships between those variables were established by drawing arrows, as shown in Figure 13. Table 21 shows all the exogenous (independent) and endogenous (dependent) constructs in the study, its acronyms, and the number of indicators that were used to measure those constructs by means of either multiple indicators or a single indicator.

Evaluating PLS-SEM results involves two stages: measurement model evaluation and evaluating the structural model (Hair et al., 2014). To test the models, this study draws on SmartPLS 3.0 in applying the path weighting scheme 0 (Sauerwein, 2017). In evaluating and reporting the results, the recent guidelines for PLS-SEM provided by Hair et al. (2014) and Hair et al. (2017) were followed and used to assess the measurement models before evaluating the structural model. The measurement model and structural model are explained in detail in section 9.2 of chapter 9.

Figure 13. Initial structural model: Latent variables and their relationships.



Source: Author

Table 21. Indicators for reflective measurement model constructs

Constructs	Acronyms	Number of Indicators
Exogenous latent variables		
<i>Religiosity</i>		
Extrinsic Religiosity	ER	4
Intrinsic Religiosity	IR	8
<i>Organisational ethical culture</i>		
Unethical Tone at the Top	UTT	7
Lack of Timely Payment	LTP	3
Unethical Pressure	UP	3
<i>Familiarity with Professional Code of Ethics</i>	PCE	6
<i>Moral intensity</i>		
Magnitude of Consequences	MC*	1
Social Consensus	SC*	1
Temporal Immediacy	TI*	1
Endogenous latent variables		
Ethical Awareness	EA*	1
Ethical Judgement	EJ*	1
Ethical Intention	EI*	1

Note: The variables with * denote that they are vignette-specific. For example, for the first vignette, these variables were named as MC1, SC1, TI1, EA1, EJ1 and EI1. Source: Author

6.2.5 Social desirability bias, reliability, and validity

In refining the research process in ethics studies, several other issues have to be addressed: social desirability bias and the measures related to reliability and validity. Accordingly, this section explains how this study attempted to minimise social desirability bias and measured the reliability and validity of the study instruments.

Social desirability bias

A social desirability bias is defined as “the tendency of individuals to underestimate (overestimate) the likelihood they would perform an undesirable action” (Chung & Monroe, 2003, p. 1). This is a specific issue that has to be addressed, particularly by ethics researchers. Overall, individuals tend to engage in socially desirable behaviour (Randall & Gibson, 1990). Due to the sensitivity of a topic such as ethical decision-making, respondents may tend to provide “ethical” answers about what they might do instead of what they actually do (Alexander & Becker, 1978). For

example, ethics studies utilise vignettes that present hypothetical dilemma situations and respondents are asked how they would act in those situations. Therefore, there is likely to be a social desirability bias when using ethical vignettes because individuals tend to want to respond in a way that shows them favourably (Butterfield et al., 2000; Randall & Gibson, 1990).

Dunn and Shome (2009) suggest that social desirability response bias is evident among managers, accountants, and students. As individuals tend to respond in a way that portrays them favourably, those with a higher social desirability response bias tend to rate questionable actions as unethical and vice versa (Butterfield et al., 2000; Randall & Gibson, 1990). Although the issues surrounding social desirability response bias are recognised, they have received little attention in the ethics literature (Dalton & Ortegren, 2011). According to Dalton and Ortegren (2011), most ethics research disregards controlling for social desirability response bias. They suggest that attention is required in such research to minimise such bias.

In minimising social desirability bias, researchers assume that it can be reduced by using questions that employ third-person wording (Bernardi & Guptill, 2008). Butterfield et al. (2000) claim that it is possible to reduce the bias by asking respondents to think about how the “protagonist” views the situation instead giving their own views or assuming the role of the “protagonist”. In addition, respondents can be informed that there are no right or wrong answers to the questions and this assertion will typically eliminate the possible effects of the bias by assuring confidentiality (Butterfield et al., 2000). This study, therefore, considered how social desirability bias issues that may arise in the process of developing written and video vignettes could be minimised.

Reliability and validity

Ihantola and Kihn (2011) claim that when quantitative and qualitative approaches are combined, “quality” in mixed methods research may be threatened. Here, the quality in mixed methods research refers to its “reliability and validity”. Babbie (2013) defines reliability as “quality of measurement method that suggests that the same data would have been collected each time in repeated observations of the same

phenomenon” (p. 188). Validity is defined as “the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration” (Babbie, 2013, p. 191). There are various forms of validity, including face validity, criterion-related validity, construct validity, content validity, internal validation, and external validation (Babbie, 2013).

This study undertook several measures to enhance its reliability and validity throughout the research process. During the operationalisation, attempts were made to ensure reliability and validity through the pretesting of initial vignettes, pretesting of the video vignettes, and pretesting of the questionnaire survey. In addition, care was taken to ensure that the selected sample represented accountants from different work organisations. During the data collection stage, respondents were not requested to provide their names or the name of the organisation they worked for; thus, anonymity was ensured. Each completed questionnaire was identified by a unique number. In addition, no written responses that could identify any participant were required and, thus, no sensitive information was sought. Furthermore, participation in this research was voluntary, and respondents were advised that they could choose not to answer any question or to withdraw from the study at any time. Respondents were also advised that their responses would be kept confidential.

Reliability and validity of interview data

This study also took steps to ensure the reliability of the interview data. As explained by Tashakkori and Teddlie (1998), the reliability of interview data can be enhanced through adopting a voluntary data gathering procedure which can reduce any perceived threat. Accordingly, all the semistructured interviews were conducted by the researcher herself and, therefore, the variations between interviews could be minimised.

Interviews were recorded as audio files. Each audio clip was saved separately and a serial number was assigned to each interview. This system ensured easy accessibility and identification. Subsequently, each clip was transcribed by the

researcher herself. When a transcript for a particular interview was completed, it was checked against the audio to confirm accuracy (Braun & Clarke, 2006).

For interview data analysis, the procedure stipulated by Braun & Clarke (2006) was utilised as a guideline. They explained five steps in interview data analysis: familiarisation of data; generating initial codes; content analysis; and reviewing new themes and establish interrelationships between themes. All transcripts were read and reread in order to gain familiarity with the data. Furthermore, certain sections of the audio clips were replayed several times to grasp the real meaning of what was being said. Once familiarity with the data set had been gained, it was reviewed once more to generate initial codes. In this process, data were read word by word to derive codes by first highlighting the exact words from the text that appear to capture key thoughts or key concepts. As this process continued, several themes were identified for each interview question and these themes were combined to answer each research question. The relationship among the themes, with reference to the ethical decision-making, were also assessed in this step.

Reliability and validity of questionnaire data

In relation to the questionnaire data, rigorous steps were followed to enhance reliability and validity. First, the reliability and validity of the questionnaire was established through the process of pretesting it. In addition, several assessments were performed in relation to numerous scales within the questionnaire, including religiosity, organisational culture and professional code of ethics, before the final analysis. A brief introduction to those reliability and validity checks is provided in the following section.

Hair et al. (2010) claim that the reliability of a scale concerns the extent to which the scale produces consistent results if repeated measurements are made. According to Zikmund (2010), two measurements can be used to measure the reliability of an instrument, namely repeatability and internal consistency. Sekaran and Bougie (2013) explain that internal consistency measures the homogeneity of the items in the measure that tap the construct.

In relation to validity measures, content validity and construct validity were the most important measures in this study. Babbie (2013) explains that content validity “refers to how much a measure covers the range of meanings included within a concept” (p. 192). To ensure content validity, the variable measurements in the questionnaire survey were constructed on the basis of the literature survey and measures employed in prior studies. In addition, the construct validity of a study is described as “the degree to which a measure relates to other variables as expected within a system of theoretical relationships” (Babbie, 2013, p. 192). The objective of performing construct validity in the current study was to reveal the validity of the main constructs within the research model. This study compares the results obtained from both qualitative and quantitative methods in order to check the consistency of these two different approaches.

This study measured the content validity and construct validity of the different measurement scales within the main research instrument in order to ensure the accuracy with which a measurement represents the concept under study. The results of pretesting of the instrument, as previously mentioned, further assisted in ensuring content validity. The objective of performing construct validity is to reveal the validity of the main constructs within the research model (Malhotra 2004). It can be classified into convergent and discriminant validity.

According to Hair et al. (2017), any PLS-SEM measurement model has to be evaluated with regard to its internal consistency reliability, convergent validity, and discriminant validity (see Table 22).

Table 22. Summary of statistics used in PLS-SEM to measure reliability and validity in the measurement model

Assessment	PLS statistic	Definitions from Hair et al. (2017)	Measurement criteria
Internal Consistency Reliability			
Reliability of constructs	Composite reliability	A measure of internal consistency reliability, Cronbach's alpha does not assume equal indicator loadings (Hair et al. (2017), p. 314)	Composite reliability should be 0.7 or higher. If it is exploratory research, 0.6 or higher is acceptable (Bagozzi & Yi, 1988).
	Cronbach's α	A measure of internal consistency reliability that assumes equal indicator loadings (Hair et al. (2017), p. 315)	$\alpha \geq 0.70$
Validity			
Convergent validity	Indicator Reliability	The square of a standardised indicator's outer loadings (Hair et al. (2017), p. 319)	0.70 or higher is preferred. If it is exploratory research, 0.4 or higher is acceptable (Hulland, 1999).
	AVE (Average Variance Extracted)	The degree to which a latent construct explains the variance of its indicators (Hair et al. (2017), p. 312)	It should be 0.5 or higher (Bagozzi & Yi, 1988).
Discriminant validity	HTMT (Heterotrait-monotrait ratio of correlations)	An estimate of what the true correlation between two constructs would be, if they were perfectly measured (Hair et al. (2017), p. 318)	HTMT ≤ 0.90

Source: Author

Internal consistency reliability, convergent validity and discriminant validity in the PLS-SEM measurement model

With regard to internal reliability consistency, many previous social science researchers have used Cronbach's alpha to measure the internal consistency reliability of a scale (Wong, 2013). However, in PLS-SEM, the use of composite reliability is recommended instead of Cronbach's alpha (Bagozzi & Yi, 1988). Because Cronbach's alpha assumes that all indicators are equally reliable, it generally underestimates internal consistency reliability in PLS-SEM (Hair et al., 2014). Composite reliability is, therefore, a more reliable measure, because it takes into account the different outer loadings of the indicator variables (Hair et al., 2017). However, both composite reliability and Cronbach's alpha statistics were shown in this particular study (see the definitions in Table 22 and assessments in chapter 9).

In PLS-SEM, it is important to ensure convergent validity of the model. Hair et al. defined convergent validity as “the extent to which a measure correlates positively with alternative measures of the same construct” (Hair et al., 2017, p. 112). In this study, it was assessed using AVE values and the indicator reliability—outer loadings—PLS-SEM (see Table 22).

The other PLS assessment statistic is discriminant validity. It is defined as the “extent to which a construct is truly distinct from other constructs” (Hair et al., 2017, p. 689). Three criteria have been used in PLS-SEM to measure discriminant validity: the Fornell-Larcker criterion³³; the cross-loadings;³⁴ and, the HTMT (Hair et al., 2017). Henseler, Hubona, and Ray (2016) argue that the first two criteria often fail to detect a lack of discriminant validity; therefore, they proposed HTMT, which is an estimate of the factor correlation (more specifically, an upper boundary), as a more reliable criterion in PLS-SEM. Thus, this particular study relies on HTMT values to assess discriminant validity.

6.3 Summary

This study adopted a mixed methods approach, because this provided a better likelihood of its research objectives being achieved. Since the study is based on primary data, a detailed description of the processes of data collection was provided in this chapter, including operationalising work, data collection and data analysis, and reflections.

The research process commenced with choosing appropriate research methods. These were deemed to be interviews and a questionnaire survey and so they were selected. Additionally, several tasks were carried out to operationalise the research process and to complete the research instruments. This process involved developing vignettes, preparing an interview guide and the questionnaire survey, obtaining ethical approval, pretesting vignettes, developing video vignettes, and pretesting of

³³ The Fornell-Larcker criterion is defined as a measure that compares the square root of each construct’s average variance extracted with its correlations with all other constructs in the model (Hair et al., 2017, p. 317).

³⁴ Cross-loadings are an indicator’s correlation with other constructs in the model (Hair et al., 2017, p. 315).

the video vignettes and the questionnaire survey. Thereafter, the population and sample of the study was described.

Data collection through interviews was done with 40 Sri Lankan accountants. Interview data were analysed using content analysis. While the findings were used to refine the questionnaire survey, the insights the interviews provided were useful in answering all the research questions. In addition, data were collected through 324 completed questionnaires which were analysed using several statistical tools. The preliminary analysis of data was carried out in order to select appropriate statistical techniques to analyse quantitative data. Consequently, several parametric as well as nonparametric tests were used in this study. A description of those tests, including PLS-SEM, was given in order to provide better understanding of their usage in analysing the data in this study. Additionally, this chapter addressed issues such as social desirability bias, reliability, and validity with regard to the data collection and analysis.

The data collected were analysed and the results of that analysis are presented in the next three chapters. The next two chapters present the interview data analysis, while the following chapter explains the questionnaire data analysis. Together these chapters answer the research questions of the study.

Chapter 7

Interview Findings: Accountants' Perceptions on Ethics and Rationales in Decision-making

7.0 Introduction

This chapter discusses the interview findings on the responses provided by Sri Lankan professional accountants that address the study's first two research questions. The chapter initially explores the Sri Lankan accountants' perceptions of the meanings of ethics, of accounting ethics, and of the ethical decision-making process. Thus, those findings address the first research question of the study: "What is the nature of ethics and the ethical decision-making process, as perceived by accountants?" It is important to understand these meanings in the Sri Lankan context, a predominantly Buddhist country. Next, the chapter presents the responses provided by the accountants with regard to the actions they would take when faced with the ethical situations in the video vignettes and the rationales they offered for their decisions. Those rationales were then interpreted using a number of ethical theories/philosophies including: utilitarianism (rule and act); deontology; rights theory; theory of justice; and, religious ethics. This section of the chapter addresses the second research question of the study: "How are ethical theories associated with the ethical decision-making of accountants in Sri Lanka?"

7.1 Perceptions of Ethics and Ethical Decision-making

This section presents the insights of the interviewees related to the study's first research question: "What is the nature of ethics and the ethical decision-making process, as perceived by accountants?" To answer this research question, respondents were asked the following question: "How would you explain ethics, accounting ethics and ethical decision-making?" The aim in asking this question was to make the respondents feel comfortable with the process, whilst obtaining their initial views on ethics before playing the video vignettes to them.

The Sri Lankan accountants' responses to this question are detailed in the following subsections under three main themes: the nature of ethics (section 7.1.1); the nature of accounting ethics (section 7.1.2); and, the ethical decision-making process (section 7.1.3).

7.1.1 The nature of ethics

One objective of the study was to gain insights into what “ethics” is. Through the literature reviewed in chapter 4, it was evident that researchers used the concepts of both “ethics” and “morals” interchangeably. In the same chapter, it was highlighted that ethics and morals are distinct concepts used in evaluating an individual's actions as either good or bad or right or wrong (Deigh, 2010; Perle, 2004). This distinction was supported through the array of definitions outlined in chapter 4. In brief, ethics are societal principles and standards, whilst morals are the principles based on personal values which are shaped by culture and society. Although they are distinct concepts, Harper (2009) argued that ethics and morals are inseparable in practice. In particular, Harper (2009) indicated that the, “distinction [*between ethics and morality*] is problematic on both a theoretical and a practical level” (p. 1063-1064). For this reason, many researchers have used these two terms interchangeably.

Within this context, the first part of the research question attempted to obtain Sri Lankan accountants' perceptions on the concept of ethics generally. The views on ethics offered by the Sri Lankan accountants reflected two themes: ethics as professional principles—in particular, professional rules; and, ethics as personal values. These views are explained below.

Ethics as professional principles

The findings reflected that the majority of Sri Lankan interviewees (25) understand ethics particularly through professional principles including ethical codes issued by the accounting profession. For example, BM11, a participant from the business sector, stated that “the best thing is to put a rule or a limit at the starting point itself”. Furthermore, AM11, a manager from an accounting firm, argued that “codes of ethics established by professional accounting bodies provide minimum standards

for accountants to act ethically within the profession”. Elaborating further, another partner from an accounting firm (AF6) stated that “as a profession, we should have a code of ethics, since we share common standards of practices. If we deviate from these standards, society may not recognise us as one group”. These quotes establish that accountants, in deciding what is right or wrong or good or bad, rely mostly on the set of rules or principles detailed in the professional codes of ethics.

Ethics as personal values

In contrast to the earlier viewpoint of ethics as professional rules, 12 accountants regarded ethics as personal values. These accountants’ views on ethics were in line with Harper’s (2009) concept that in decision-making “morals” were principles based on one’s personal values. Interestingly, all 12 of these accountants are Buddhists whose personal values are based primarily on their religious principles, in particular Buddhist values. For example, a Buddhist participant, AM2, stated that ethics is “the values and the principles shaped by our religion.” Another female accountant (BF16) explained that her decisions were “mainly guided by the values that I [she] believe/[s] in.” Elaborating more, AM2, stated that “When we make decisions, our values matter; the background or the environment where you are brought up and the society you are living [in] matter.” Sharing views in this regard, GM2 explained:

... in my personal belief, ethical consideration is something that is there in your DNA. You should not necessarily bring it when you are born ... but maybe it is how your parents have developed you during your childhood age and how your thought process is designed.

These examples revealed that these interviewees understand ethics as values ingrained to themselves and shaped by the culture, in particular through Buddhist values. GM11 stated that these Buddhist values are “inculcated when we were kids”, because, from infancy, people become Buddhists. GM2 elaborated his earlier view, indicating that “*Dhamma school*” [Sunday school] helps Buddhist children to improve their religious understanding from an early age. These views were consistent with Berkwitz (2006) who argued that Sri Lankan culture has been fundamentally shaped by Buddhist traditions.

Elaborating more on religious values, interviewees highlighted the “five precepts” and the law of “*karma*”. For example, GM11 stated that “as Buddhists, we follow five precepts, it is the basic doctrine.” As described in chapter 2, the five precepts are followed daily by most Buddhists. Further, participants showed their understanding on various Buddhist values such as: giving; compassion; empathy; patience; and tolerance (GM11, BM11). Some of these Buddhist values are further explained in this chapter when religious values come into play in accountants’ decision-making. As explained, these participants view ethics [here based on religious values] as their own standards of actions, which is in line with the definition of “morality” (Perle, 2004).

Ethics vs Morals: Professional principles vs personal values

Three of the study interviewees emphasised that religious values are much more important than professional rules. For example, BM11 said “one’s behaviour depends on several things The most important factor is a person’s conscience to do what is right or wrong based on religious beliefs. Next will be codes and written rules.” Further, GM11 shared a similar view, stating that “According to my knowledge, ethics cannot be guided merely by a code of ethics. *Ethics is all about our values, shaped by our religion* [emphasis added]. It should come from your heart because ultimately we have to take a decision whether right or wrong.” In addition, AM2 stated that “If you have these inbuilt values [religious values], then *it is one step further to the code of ethics* [emphasis added].”

Here, these three participants revealed that they prioritise people’s personal values [here based on religious values] over ethical codes when it comes to how to behave. Thus, these views highlight that ethics goes beyond following a code of ethics and it is about doing the right thing in the circumstances using religious values. Particularly in Sri Lanka, Berkwitz (2006) claimed that there is an “inseparable bond between Buddhism and the nation [Sri Lankans]” (p. 53). In such a context, if all individuals understand ethics as personal values based on Buddhist morals, it is expected that everyone behaves ethically.

Further, these accountants' views of the concepts of ethics and morality seemed to be connected, and they are complementary to modern society (Horomnea & Paşcu, 2012). If the overall ethical behaviour of accountants is to be enriched for the betterment of society, both professional rules and personal values based on religion should complement each other.

Overall, the above discussion revealed that the Sri Lankan accountants' initial views on ethics were in agreement with both the concepts of ethics and morals. While the majority viewed ethics as professional principles, others perceived ethics as personal values [morals]. In addition, others thought that personal values should be given a higher priority than professional rules; however, ethics and morals are complementary. Therefore, the findings revealed that the interviewees were unable to distinguish between these two notions, ethics and morals, in practice. One possible reason would be due to the abstract nature of these two concepts (Harper, 2009). The interviewees in this study were not directly asked what the distinction between ethics and morals was and investigating such distinctions are beyond the scope of the present study.

7.1.2 Nature of accounting ethics

Having discussed ethics in general in the previous section, this section explains further findings with regard to accounting ethics in particular. The Sri Lankan accountants' initial views on the nature of accounting ethics reflected several themes: the complex nature of ethics; its nature as a professional attribute in maintaining public interests; its nature as a personal attribute; and, its relative importance to business and society.

The complex nature of accounting ethics

Some accountants expressed the view that, in terms of the difficulty in recognising its dimensions, making judgements, and intentions to act, the nature of accounting ethics is complex. For example, GM2 revealed that the "handling of ethics is always tricky." When evaluating the ethical vignettes, BM11 indicated that "ethics is very critical." He further elaborated the difficulty in making an ethically sound decision when evaluating the issue presented in the third video vignette (*stealing information*

from a competitor) saying, “we are human beings and inadvertently I would use this information ... Not in a formal manner but in an informal manner, you will be tempted to use it.” Several studies have also highlighted the difficulties experienced by accountants in making ethical decisions when they are faced with ethical situations (Cohen et al., 2001; Dellaportas et al., 2005; Kracher et al., 2002; Likierman, 1989).

In addition, the Sri Lankan accountants went on to reveal that ethical rules cannot be applied consistently in practice, which shows the complexity of ethics. This finding confirms that ethics is a complex subject in terms of determining whether an individual’s actions are either right or wrong or good or bad (Lehnert et al., 2015).

Accounting ethics as a professional attribute

All the respondents saw accounting ethics as a professional attribute in maintaining public trust. For example, AM7 stated: “the first thing is to maintain the public trust,” while AM10 indicated “the public interest element must be high up on your agenda.” A similar view was taken by an accountant from the business sector (BF6) who commented: “trust is the key If we don’t practice our ethics, then no one will trust the financials that we put on the paper.” Many prior accounting researchers have argued similarly that the relationship between accountants’ ethics and the public’s trust is a critical one (Carnegie & Napier, 2010; Davenport & Dellaportas, 2009).

Accounting ethics as a personal attribute

The Sri Lankan accountants who participated in this study referred to accounting ethics as a personal attribute by linking it to one’s obligations as a member of society. For example, BM7 expressed the view that “at the end of the day, we, as accountants, are trying to live. We don't try to kill someone [one of the five precepts-harming any living being]. If we understand the real reason behind our life, ‘yes’ ethics is the personal code.” This view strongly reflects that accountants work for the best interests of society as a whole (Pierce, 2007). Additionally, BM13 said “whether you are an accountant or not, the individual should do the right thing and

lead a respectable life. It is the most important goal of anybody's life." These examples, which were offered by Buddhist interviewees, highlighted that the roots of ethics are embedded in Sri Lankan culture itself (Kalupahana, 1995). The identification of ethics as a personal attribute is a way to clarify the meaning of life, which is explained through the Eightfold Path in Buddhism (Keown, 2005).

The relative importance of ethics to business and society

Almost all the accountants highlighted the relative importance of ethics to business and society. For example, BM11 said, "ethics is of paramount importance." Several accountants from the business sector highlighted the nature of the accounting profession in society. For example, BM13 indicated that an accountant is "the guardian for all business-critical information" whilst BM15 stated: "We are professionals and people believe in us." Similarly, AM11 argued that "we play a critical role in safeguarding assets of shareholders. So, if we don't do that role, we lose the trust of the business world." These views confirm that accountants, as professionals, need to recognise the importance of ethics in the business world and society (Martinov-Bennie & Mladenovic, 2015).

In contrast, some interviewees reflected a predominantly negative perspective with regard to the implementation of ethics in Sri Lanka. As noted in chapter 1 of the thesis, the weaknesses in the enforcement of regulations and legislation that govern accountants in Sri Lanka can be the result of political interference (Wickramasinghe et al., 2004). In light of such political interference, several interviewees questioned whether ethical standards could be established. For example, an accountant from a business organisation, BM10, said that he was very disappointed in the way things are going in Sri Lanka: "it [ethics] is essential. But I don't know how practical it is in the Sri-Lankan community." Elaborating his ideas, he challenged the autonomy of professional accounting bodies in Sri Lanka saying:

There is no ethics in Sri Lanka. All the professional bodies are crooks. They make the law as well as [they] break it. It is very difficult to implement. The best thing is for you to go through the chartered accountancy website and search. They don't take any disciplinary actions against any members. You can't find any of those.

His ideas further revealed that one of the reasons for the professional accounting bodies' loss of autonomy in Sri Lanka is due to politicisation (Yapa, 2006). Expanding his views, he shared the following thoughts: "I have always stated to some of these institutions, don't politicise ... In the name of democracy, we won't be doing it. Not like in other countries. They don't take action. Tell me one institution that is not corrupted."

A similar view was shared by another accountant (BM10):

In our context [Sri Lanka], you have to have connections, unlike in Singapore where if you do honest business you are looked after. Here, if you do honest business, you will be the first one to be knocked out. If you don't give bribes, then you will be knocked out. For example, the *Golden Key* issue; the government paid around 600 million rupees for Golden Key depositors. **Kothalawala** [He was the CEO of Golden Key Company] must pay back that money Why did the government pay this money? Because he is closely connected to somebody else? Those are the issues we have here [in Sri Lanka].

These excerpts reflect the interviewees' belief that the accountants' role seems more challenging in Sri Lanka than it is elsewhere as a result of that country's corrupt professional and business environments. In this context, it is clear that individuals including accountants, professional accounting bodies, and the society are affected by corruption.

7.1.3 Views about the ethical decision-making (EDM) process

As Rest (1986) explained, an individual's ethical decision-making process comprises four steps: awareness; judgement; intention; and, behaviour (see chapters 4 and 5). Understanding this process was clearly illustrated by an accountant working in the government sector (GM2), who held multiple professional qualifications and a master's degree. According to GM2:

The first thing is that you need to understand is whether there is an ethical dilemma. Sometimes people don't even know there is an ethical problem.... So, first and foremost, you have to figure out if there is a problem..., [indicates awareness] secondly if you can figure out the long-term consequences but not the short-term consequences. You have short-term benefits at the cost of long-term consequences ... [indicates judgement]. Then it is the time to take a decision [indicates intention and behaviour].

With the exception of this clear explanation, most of the other interviewees emphasised only the first and the second stages of the ethical decision-making process—awareness and judgement. When recognising ethical issues and making judgments, many accountants tended to evaluate alternative courses of actions and their consequences (Jones, 1991; Lampe & Finn, 1992; Treviño & Youngblood, 1990). Thus, most showed their ability to understand the ethically ambiguous situations presented to them through the video vignettes. In addition, most of them provided appropriate ethical responses when they were presented with the four video vignettes.

7.2 Linking Accountants' Decision-making to Ethical Theories/Philosophies

This section discusses the participants' answers to the thesis' second research question: "How are ethical theories associated with the ethical decision-making of accountants in Sri Lanka?" In order to answer this question, the participants were first asked: "How would you act in this situation, if you were the accountant?" in response to each of the four vignettes. Various decision types were generated for that particular question.

Drawing from prior studies (Premeaux, 2004; Premeaux, 2009; Premeaux & Mondy, 1993), the respondents were asked: "Why did you take that particular course of action? Please, explain." These prior studies also attempted to explain linkages between ethical theories and managers' decision-making. In particular, Premeaux (2004), asked respondents to indicate the likelihood of behaving in accordance with a requested behaviour in a questionnaire. Following that question, Premeaux (2004) included an open-ended question asking why the particular decision was made. The responses to that question were then classified by the type of ethical theory/philosophy they represent.

Following Premeaux (2004), the Sri Lankan accountants' responses in this study were categorised into common themes of rationales. Next, the rationales provided by the interviewees for each vignette were interpreted using one or more ethical theories including: utilitarianism (rule and act); deontology; rights theory; theory of justice; and, religious ethics. Thus, the second research question was answered

using these rationales that were interpreted according to ethical theories/philosophies.

The next sections discuss the findings for each of the ethical dilemmas depicted in the four video vignettes presented to the interviewees. Each section provides a brief explanation of the vignette and the decision types made (i.e., ethical or unethical) and interprets the rationales for those decisions with ethical theories.

7.2.1 Video vignette one: Accepting gifts

The first vignette involved accepting gifts. *Silva*, an accountant in a bank, had to decide whether to accept a gift offered by a client, *Roshan*, who had established a hotel with a loan from the bank. The gift is a voucher for an all-inclusive 3-night luxury holiday package at *Roshan*'s newly established hotel and the gift can be seen as reasonably valuable. Before offering the gift, *Roshan* invited *Silva* and his family to attend the opening ceremony of the newly established hotel and this offer was accepted by *Silva*. This vignette represents an ethical dilemma situation commonly faced by professional accountants in Sri Lanka.

An analysis of interviewees' responses to the first question: "How would you act in this situation?" identified two decision types: do not accept the gift voucher; and, do accept it. While the majority of accountants (35) claimed that they would not accept the gift voucher, 5 participants mentioned they would accept it either with or without conditions.

Next, the participants provided reasons for their decisions. As shown in Table 23, eight rationales for not accepting the gift and two rationales for accepting the gift emerged during the interviews. Each rationale is interpreted and classified according to the ethical theory it illustrated.

Table 23. Rationale for “*Accepting gifts*” responses

Rationales		Ethical theory/ philosophy	Number of responses
For not accepting the gift			
1.	Against ethical principles in professional code of ethics established by professional accounting bodies	Rule Utilitarianism	9
2.	Against company values, rules and procedures with relation to accepting gifts	Rule Utilitarianism	4
3.	Decision guided by personal values	Religious Ethics	6
4.	Beyond the service rendered to the company	Deontology	4
5.	Disclose to superiors or colleagues	Rights	5
6.	Unethical for employer and ethics of the profession	Rights	2
7.	Beyond the industry norms	Justice	3
8.	Multicategory responses		2
For accepting the gift			
9.	No harm to the client and to the bank	Act Utilitarianism	4
10.	Represents acceptable practice in the Sri Lankan culture	Act Utilitarianism	1

Source: Author

Rationale for not accepting gifts

As depicted in Table 23, the first two rationales used by 13 accountants, who appeared to follow ethical codes and company rules for not accepting the gift, can be interpreted as rule utilitarian theory. According to LaFollette and Persson (2013), preference for the rule utilitarian approach indicates that individuals follow various rules that produce the best consequences for parties involved in the situation.

The first rationale was that an accountant should adhere to the ethical principles e.g., independence, objectivity, and integrity laid down in professional codes of ethics established by professional accounting bodies. This is the most popular view among accountants. For example, a highly experienced Buddhist accountant from the government sector, GM11, said: “this gift impairs my integrity and objectivity to some or other extent towards the client so I may be biased.” A Christian partner from the audit sector, AF3, claimed that “as auditors, we have to maintain independence. Even fundraising activities, I do not ask anything from my clients. There is a future conflict of interest.” It is clear that these nine accountants believed that they have involved in a biased situation; therefore, there would be a possibility

of a future conflict of interest with the client and the organisation because of accepting the gift in this particular vignette.

The second rationale, as shown in Table 23, was that four respondents believed that their company values, rules, and procedures need to be adhered to when accepting gifts. For example, BF6, who works in a business organisation, claimed: “If I were the accountant of this company, I would have to check with the gift acceptance policy of the company.” Expanding this view, a very experienced Buddhist audit partner, AM4, shared his opinions, as follows:

In our firm, we have certain guidelines on accepting gifts ... We have set our policies; as long as the amount of the value of the gift is less than Rs 5,000 and the fact of the accepting the gift is informed to the partner in charge that is acceptable. Anything over that value is not acceptable ... We have been using this practice for a long time.

In this particular situation, accountants who follow either professional or company rules do so to avoid placing themselves in compromising situations now and in the future or to minimise future risks when facing ethical dilemmas like accepting gifts. Thus, the rules allow these accountants to consider the impacts or the consequences on themselves, their company, the client, and the profession.

As evident from the third rationale in Table 23, the decision is guided by personal values. Supporting this view, six participants indicated that personal values guided their decision and that these personal values are shaped by a culture that is mostly associated with religious values. All six of these participants are Buddhists. Knowing that accepting gifts is unethical meant Buddhists felt guilty about accepting them because they believe in “karma”. For example, BF1 stated: “I may feel guilty myself to accept it.” She further explained: “I am not doing any wrong thing to earn money. I am a Buddhist and I believe [in] karma and *vipaka*³⁵.” This idea reflects the fact that the unique cultural identity in Sri Lanka is embedded with the concept of “karma”, which means that every action is connected to its reaction. In addition, BF9 commented: “I feel that I am getting an undue advantage from the client and it is against our [Buddhist] beliefs.” These participants recognise the

³⁵ In Buddhism, karma is actions and vipaka is reactions of actions (karma).

negative consequences of accepting the gift, because to accept it goes against one of the guidelines in the Noble Eightfold Path, “right action”, in Buddhist ethics.

The fourth rationale in Table 23 indicates that four participants highlighted the importance of “duties”, which can be interpreted as using the theory of deontology. For example, a participant, BM2, claimed: “it [the gift offered] is not related to service I have rendered. I am receiving a salary.” This rationale reflected the belief that accepting gifts went beyond the services an accountant rendered to his/her company and was thus unacceptable.

The fifth and sixth rationales in Table 23 show that accountants were inclined to respect the rights of their colleagues, superiors, and employers, and the profession. In particular, five Sri Lankan accountants believed that they would disclose the offer of the gift to their superiors or colleagues. For example, GF5 stated that “my other colleagues also participate in the bank loan procedures, and, therefore, as a respect I may tell them about the gift.” Further, two participants claimed that it is unethical to accept gifts, as to do so is against the ethics of their employers and the profession. As explained by rights theory, an ethical decision is one that does not interrupt the rights of another (Dellaportas et al., 2005). The nature of their responses suggests that they represented a theory of rights philosophy. Even though the economic reality of the situation makes this a difficult decision, accountants’ decisions appear to reflect the idea that the rights of others are more important to them. These seven accountants believed that had they been *Silva*, their rights to free consent would have been violated if they had accepted the gift.

Three interviewees explained that accepting gifts was beyond the industry norms in the profession (see the seventh rationale in Table 23). The general industry norm with regard to gifts is that accountants are not allowed to accept valued gifts from their clients. For example, BM12 stated that “if I accept the gift it is not fair to my colleagues and my profession. Others also should be treated as the same way.” This view can be interpreted using principles of justice theory. Premeaux (2009) claimed that justice occurs in decisions which are based on equity, fairness, and impartiality. Those who shared this view did so because they thought that, as professionals,

accepting gifts would be unethical, because it is neither fair nor appropriate to the profession.

Two interviewees offered multicategory responses (eighth rationale in Table 23), embracing different ethical theories (see Table 24 for quotes from these interviewees). For example, AM12 rationalised his decision of why the gift voucher should be returned, highlighting company rules coupled with protecting others’ rights. Thus, they could be interpreted as rule utilitarian and rights theory principles.

Table 24. Mixed rationale for not accepting gifts

Participant	Quotations [Ethical theory]
AM12	No ... because the bank rules and provisions do not permit me to accept it [Rule utilitarian]. It’s not only me; there are several who are involved in the process of granting the loan, so better to inform others as well [Rights].
AM2	In our organisation, we have a policy [Rule utilitarian]. Especially during December and April, lots of clients call and ask for our home addresses to deliver a hamper. We never accept it. We say no. Whatever the services we are offering, we are paid for that [Deontology]. The client pays the firm and so the firm pays the relevant party, partner or the manager.

Source: Author

Rationale for accepting gifts

As shown in Table 23, five participants were willing to accept the gift voucher following two rationales (ninth and tenth rationales). In the ninth rationale, four accountants decided to accept the gift voucher, claiming that there was no harm to the bank by accepting gifts. For example, BM14 stated: “... the transaction is now completed. There is no influence on the decision to anyone.” A similar view was shared by an audit partner, AF6, who indicated that “there is no harm to the client and to the bank.”

In addition, the tenth rationale was supported by one participant, stating that accepting gifts was not unethical because it is an acceptable practice in Sri Lankan culture. In stating so, these accountants thought that this action provides the greatest social good to many people regardless of social constraints like rules (for example, see Premeaux, 2009). These two rationales for accepting gifts can be interpreted as act utilitarianism which requires actions that benefit the most people regardless of the societal constraints such as rules (Beauchamp & Bowie, 1983). In this particular

vignette, accountants' decisions were in favour of accepting the gift voucher offered by the client, *Roshan*. However, in this position, a conflict between ethical values and short run economic interests is demonstrated.

7.2.2 Video vignette two: Adjusting financial information

The second vignette presented a situation where financial information was adjusted. In this vignette, an accountant, *Harini*, is reviewing financial statements with an accounting executive, *Tiran*. In the process, *Harini* understood that the “Times Interest ratio” had gone down and, at the same time, she saw an upturn in forward orders. She is faced with a situation—whether or not to adjust the financials by postponing write-offs of bad debts in order to remain above the bank covenant. This scenario shows an ethically ambiguous situation for the accountant.

Table 25 below details the 11 rationales provided by accountants for this present vignette. Each rationale is interpreted and classified according to the ethical theory it represents. Thirty-three accountants claimed that they would not adjust the financial information, while the remaining seven interviewees stated that they would do so.

Table 25. Rationale for “*Adjusting financial statements*”

Rationale		Ethical theory/ philosophy	Number of responses
For not adjusting the financial statements			
1.	Against accounting standards	Rule Utilitarianism	6
2.	Against ethical principles in the code of ethics established by professional accounting bodies	Rule Utilitarianism	6
3.	Against regulatory requirements	Rule Utilitarianism	4
4.	Against company rules	Rule Utilitarianism	3
5.	Unethical for users of financial statements	Rights	4
6.	Present the actual situation to the top management and bank and convince them	Rights	3
7.	Decision guided by your conscience	Religious Ethics	3
8.	Am an employee, paid and responsible to the top management	Deontology	2
9.	Multicategory responses		2
For adjusting the financial statements			
10.	Betterment of the company	Act Utilitarianism	5
11.	No harm of doing this	Act Utilitarianism	2

Source: Author

Rationale for not adjusting the financial statements

As shown in Table 25, the first four rationales used by 19 participants appeared to follow numerous rules when making their decision in this particular situation that can be classified as rule utilitarianism. Preference for various rules indicates that accountants follow such rules because, over the long term, this approach will provide the greatest societal benefit (Premeaux, 2009).

The first rationale indicates that adjusting financials is against accounting standards. Here six participants claimed that they would not adjust financial information because it appears like window-dressing and violates accounting standards. For example, an accountant from the government sector, GM3, said: “we are bound by our accounting standard and generally accepted practices,” and BM7, who is from the business sector, said that this is a clear violation, when he said: “If I am postponing that to the next period it means I am violating some of the accounting practices.” Elaborating on this point, three participants provided their views on where the situation could go wrong. For example, BF6 indicated that “Because of the concept of prudence according to accounting, when the right time comes we have to definitely do the write-offs, provisions, bad debts. This is a deliberate attempt by the accountant.” In addition, an audit partner, AM9, explained that another key concept in financial reporting is faithful representation: “the reader assumes that when you report on a particular date, you have taken everything into consideration.” Another audit partner, AM4, highlighted the importance of meeting the criteria of write-offs in a context like Sri Lanka, as follows:

In a country like Sri Lanka, there are around 20 banks and if one bank collapses, there is a big impact on the economy When you do this once, the chances you will do it again ... again would be high. Your bank may collapse and have serious implications for the whole banking system. That is why accounting standards provide criteria to write off bad debts

As depicted in the second rationale in Table 25, six interviewees expressed the view that adjustment indicated a violation of ethical principles established by professional accounting bodies. For example, BF9 supported this view by claiming “definitely, it is a breach of the code of ethics.” In addition, several participants mentioned that based on the code of ethics, alteration of documents/information is

not ethical (GM11, BF6, BM13, AM8, BF9, and BF16); in particular, GM11 indicated that “it is unethical.” Another audit partner, AM8, expressed his opinion when he said: “as an accountant, ethical practice of an accountant will require you to report the actual fact as per that day. If you do anything beyond that I think you are not in line with your code of conduct.” These views prove that certain ethical principles are inherent in this scenario, in particular, integrity (GM11 and BM13) and professional behaviour (BM2 and BF16). BM13 voiced his views, explaining the importance of integrity in business organisations as follows:

... going by the code of ethics, there is a separate provision about integrity that is very clear. If you look at integrity, an accountant should never get involved in any document that contains false information Therefore, whenever we work as accountants, probably directors, CEOs or the Chairman might make a request to do this and do that due to various reasons. We should try our level best to be honest and maintain the integrity, to say that “Sir this is not in line with our profession’s values.

Beauchamp and Bowie (1983) argue that rule utilitarianism also takes the law into account. Four participants represented this view as the third rationale—that adjusting financial information was against regulatory requirements, and perhaps the law of the country. For example, BM2 indicated that “we have to meet so many compliances, rules, and regulations such as Central Bank regulations. We also have an internal audit department ... external audit too. Personally, I do not do so [adjust information].” Moreover, BM14, an accountant with more than 20 years’ experience, highlights the stringent nature of the law: “Here, the Regulator is very strict. So, you would not try to do it even if you had the discretion because it would get highlighted somewhere.” These four accountants, who were representatives of public limited companies (PLCs) in the business sector, have to follow rigid rules and regulations including Central Bank regulations and Colombo Stock Exchange (CSE) rules.

The fourth rationale, expressed by three interviewees, was that adjusting financial figures was against company rules. In analysing the particular vignette, they emphasised that this is more of a company policy issue. For example, an accountant, BM10, stated: “What is the company policy for write off? Always it has to go to the board, if the board says okay in 3 months’ time if he is not paying, then write-

off.” According to these interviewees, there should be established company rules with regard to write-offs which guide accountants’ decisions.

As shown in Table 25, the fifth and sixth rationales indicate that adjusting financial information is unethical because it misleads others, including users of financial statements, top management, and the bank. These rationales appear to represent the principles of rights theory. According to rights principles, a decision is not ethical if it misleads others (Premeaux, 2004). Four participants supported the fifth rationale, not misleading users of the financial statements (GM12, AF6, BF6, and BM11). For example, BF6 shared her views as follows:

Of course, the company is in trouble due to this bank’s covenants but still, at the end of the day... we should always show a correct picture. We should not hide things to mislead users, as suddenly if something happens, then there will be a big issue which we can’t rectify.

The sixth rationale, in particular, indicates that the accountants feel it is their responsibility to inform either top management (BF1) or the bank (BM4 and AM2) of the actual situation. For example, BF1, explained her responsibility towards management as follows:

In the business sense, I think I have to speak to top management, [explaining] this is the ratio and its situation. At my level, I can't present inaccurate information ... if the top management thinks that it should be adjusted, and I can obey their decision.

With regard to the responsibility towards the bank, BM4 mentioned that “If you are a charismatic leader, you could be able to convince the bank probably with the true facts.” A similar opinion was shared by AM2, who explained that he would try to convince the bank with the actual facts instead of adjusting financial statement figures. This view supported respecting the rights of others, in this particular situation, management, and the bank.

Three participants, including AF3 (Christian), GM2 (Buddhist) and AM10 (Muslim), presented a distinctive idea which is associated with a person’s religious values when making decisions. This is the seventh response category in Table 26. According to these participants, religious ethics can override other ethical principles.

For example, the Christian accountant, AF3, claims that “actually, some of these things are your conscience, you do not need a book to tell you what is right or wrong.” The Muslim partner, AM10, stated that “ethical issue here is something you must feel honestly whether this is the right thing to do.” Sharing these views, the Buddhist accountant, GM2, explained:

You can still play with the code of conduct because in this kind of scenario, if you really want, you can justify what you did. You can really defer the thing. You can quote any accounting standards and use the provision of judgment. With regards to ethics, my understanding is that it is not your understanding or the knowledge, it is how your mind works ... your internal thought process.

It is worth noting that these three participants, who used religious perspectives not to adjust financials in this particular situation, come from three different religions. Even though this study highlighted Buddhist ethics in particular, this finding revealed that all these three religions guide these accountants to use their conscience and to be honest in their professional work.

As depicted in the eighth rationale in Table 25, two participants rationalised their decision of not adjusting financials by emphasising their duty to their work organisation. While BM8 stated: “I am an employee of the company and I am paid,” BM13 indicated that “... we are basically responsible for an organisation. So, we have to understand how our work affects the public and what the consequences are of our work in terms of ethics.” This echoes Beauchamp and Bowie’s (1983) claim that individuals have a duty and obligation towards their organisation.

In this particular vignette, two accountants provided multicategory responses (ninth rationale in Table 25) to explain the rationale behind their decision. These two responses are shown in Table 26. In these two instances, accountants highlighted rules, their duties and rights of others in making their decisions. These mixed rationales can be interpreted using rule utilitarianism combined with some other theory including deontological and rights theory ethical principles in this particular vignette.

Table 26. Mixed rationale for “*Adjusting financial information*”

Participant	Quotations [Ethical theory]
BM5	Misrepresentation is a critical violation of ethics guidelines [Rule utilitarianism]...We have certain duties so we can't change numbers like this. If we do so, it makes a bad reputation for the company itself. [Deontology]...The default bank institutions are linked to each other, so if this message goes to another company, we are in a difficult position to even apply for a loan [Rights]
GM9	As an accountant, he should be answerable to the particular company [Deontology] and shareholders [Rights]. At the same time, he should maintain his professional ethics and professional standards [Rule utilitarianism]...If you ask this question directly of me, I would not take any risk over it. I would forward this question to the board of directors and I get views from them on how I should act in this situation [Rights]

Source: Author

Rationales for adjusting the financial statements

In this vignette, seven participants stated that they would do the adjustment of write-off and provided two rationales (tenth and eleventh rationales) to justify their decision as shown in Table 25. In particular, the tenth rationale indicates that participants would tend to adjust figures for the betterment of the company (GM1, GM6, GF4, AM8 and AM7). For example, GM6 says: “Honestly if this is a private company where I am working according to the current trend in Sri Lanka, I have to act in the favour of the company.” A similar view was provided by AM7 as,

My personal view is, I will not try to cheat the bank. If I see the business is going to increase and if there is a possibility to postpone it, I will do that. It is for the betterment of the organisation.”

More particularly in the context of Sri Lanka, one participant argued that there is strong pressure from top management and it is a business requirement. Elaborating this idea, AM8 highlighted how it works practically in Sri Lanka:

Professionally, you cannot allow that. You have to write it off. I can very easily say it, but when you are practically working in an organisation you might be under pressure In the Sri Lankan context, I know, people might say you are not aligning to the business strategy and operational requirements of the company. These are the day-to-day problems faced by the accountants. The management might interpret this as a business requirement.

In addition, another two participants saw no harm in doing this adjustment and this is shown as the last rationale in Table 25. Elaborating further, GM10 shared his views as follows:

We have to keep the stability of the organisation. When we send the financial statements to the Board, they will think that we are sinking and they may make wrong decisions. But you should have the knowledge from the previous experiences that this would be the right thing to do.

It is evident from the views of these seven accountants that their decisions benefitted the progress of the companies with no impact to any parties; thus, it can be interpreted as an act utilitarianism approach (see, for example, Premeaux, 2009). Therefore, their decisions were in favour of adjusting financial figures in this particular vignette.

7.2.3 Video vignette three: Stealing confidential information from a competitor

In the third vignette, an accountant, *Sarath*, is one of two people being considered for a major promotion. *Sarath* was put into an ethically ambiguous situation when an old friend offered to provide him with confidential information about his former company, a competitor of *Sarath*'s company, in return for a recommendation letter. In that case, *Sarath* can use this information to gain a competitive advantage in the promotion process. Thus, he is faced with the following ethical question: "Shall I provide the letter of recommendation in return for the confidential information that I can use to gain a competitive advantage in the promotion process?"

Thirty-nine of the 40 interviewees claimed that they would neither accept the confidential information offered by the friend nor provide a recommendation letter. They also argued that this is an actual scenario that does occur. While AM8 stated: "Definitely, you should not do it. Here again, this is happening practically in Sri Lanka very much," GM3 indicates that "You can't betray your profession and your personal integrity for your personal gains. Personally, I have experienced that." Accordingly, as depicted in Table 27, six rationales were created from the explanations given by those 39 interviewees with regard to their decision, while one rationale emerged from the other participant.

Table 27. Rationale for “*Stealing confidential information from a competitor*”

Rationale		Ethical theory/ philosophy	Number of responses
For not stealing confidential information from a competitor			
1.	Highly unethical to accept the confidential information of others and to encourage others to divulge confidential information for personal gains	Rights	11
2.	Against ethical principles in the code of ethics established by professional accounting bodies	Rule Utilitarianism	9
3.	Illegal to use unpublished information. It is bribery	Rule Utilitarianism	4
4.	Against company rules	Rule Utilitarianism	2
5.	Against religious values	Religious Ethics	7
6.	Risk of accepting bargain conditions/ trade-offs	Act Utilitarianism	6
For stealing confidential information from a competitor			
7.	Betterment of the company	Act Utilitarianism	1

Source: Author

Rationale for not stealing confidential information from a competitor

As depicted in Table 27, the most popular rationale to this vignette is that the accountant should neither accept nor encourage the friend to divulge confidential information for personal gains. Eleven respondents shared a similar view in that they try to protect and respect the rights of individuals that can be interpreted as rights theory justifications. For example, AM11 mentions that “basically encouraging someone else to give confidential information in order to gain a short-term mileage on it, is not at all acceptable.” BF1 puts her idea in a different way, saying: “I am qualified and I can gain the position I believe in myself, so it is not necessary to go after other people for positions.” In addition, BM13 was of a similar opinion:

As an accountant, there is a right to promote the company. That has to be done ethically. If I were to issue him a recommendation letter and get this information that is clearly unethical. For one reason, I am encouraging him to be unethical: that is, for him to divulge confidential information. The other one is very clear – this is based on ethical behaviour. This is something not acceptable. You are going to misuse someone else. I am giving this answer as an individual before going to the code of ethics.

These views confirm that the rights of the competitor company and its shareholders and the public are protected and given the highest priority. Therefore, regardless of

the motives involved, accountants' preference for the rights philosophy resulted in a more ethically appropriate decision to protect rights while avoiding dishonest action on their part in this case.

The second most popular rationale in Table 27 represents the view that the decision would be directly impacted by ethical principles in the codes. Nine respondents supported this view and pointed out numerous consequences when justifying their reasoning. BM2 pointed out: "if I have to reveal how I get this information, it will be a problem." Accordingly, the situation was seen as unethical, with respondents arguing that it "impacts on my confidentiality, due care, and professional behaviour" (GM11) and that "there is a conflict of interest" (GM12). A partner of an accounting firm, AM4, stated that "You have to identify what is confidential and what is useful to a competitor and not the client." Extending this view, more specifically, BF6 argued that both the parties in this situation have violated ethical principles:

In this situation, dealing based on confidential information is something restricted by our professional ethics. We should always preserve confidentiality. Here the friend who has given information and the accountant who has acted based on the confidential information have both violated professional ethics.

While confidentiality is vital in ethics, an accountant should also be objective and independent when confronted with such issues and decision-making. In this regard, one participant, GM3, shared his own experience and stated his position as follows:

We should not discuss confidential information with anyone, even with my family members. Certain matters I don't even discuss with my office staff. We should have this confidentiality and it is very important In some places, I have given up my job. As a head of the audit, they wanted me to change a report by putting the responsibility on some others ... If I did that, my salary would have been increased and I would have got a lot of benefits, but you can't do that. You should be objective, you should be independent, and you should have your personal integrity with your ethics, your qualities that you should maintain.

GM8 also argued that he would not accept the proffered information because he did not want to encourage the friend to be unethical; thus, he claimed:

How I look at this is how you use that friend's information, you are influencing him to breach a confidentiality code. Theoretically ... by accepting company B's information from your friend you are influencing your friend to breach his confidentiality, which is also not allowed.

In addition, BM5 discussed this situation from the perspective of the provisions in the professional codes of ethics, saying:

... if you ask from the angle of the provisions in the code of ethics, this is again very clearly something not right, for the reason that there is a provision which separately addresses marketing and promotion ... That is, you are supporting the company, but still, that has to be done in an ethical manner. If you misuse some other company's information and market, that is clearly unethical.

The third rationale depicted in Table 27—it is “illegal to use unpublished information”—was supported by four Sri Lankan accountants. For example, GM10 explained that “this is against the law ... it is an act of espionage. Taking of information illegally from some other organisation cannot be accepted.” Elaborating this idea, BM3 argued:

For me, there are two things; if that information is not publicly available, I will not use it for decision-making. It is illegal. The other part is giving a recommendation letter: if I'm really recommending him, I would actually give it without getting any information or any consideration.

Another participant working in the business sector, BM12, mentioned that “this is also kind of bribing So, that is beyond the ethical framework.” Expanding this view, BM10 shared his experience as follows:

This is happening very much in Sri Lanka. I know one thing went against us as also our competitor did the same thing ... These kinds of things sooner or later have to be fixed. This is an ethical issue Bribery and corruption are wrong and this is bribing. For example, if I take information from a friend by giving something in return, then you have to think that he will do the same thing for you as well ... Before creating a monster, you must know what you are creating.

As shown in Table 27, the fourth rationale is going against company rules. For example, BF16 argued: “I will not get that information. A professional person should not go into that ... the company that I am working for prohibits getting

confidential data in an unethical way.” As explained, the second, third, and fourth rationales were all based on various rules that can be interpreted as rule utilitarian ethical philosophy.

Seven participants (six Buddhists and one Hindu) shared religious perspectives, constituting the fifth rationale in this vignette. They saw accountants’ decisions as being guided by their own personal ethics shaped by their religions. In particular, these participants consider that the intention behind an action is important. For example, GM2 commented:

You can fool the people around you but with confidentiality, you can't fool yourself. People think, when it comes to confidentiality, if you can steal without anybody knowing it was you that is maintaining confidentiality ... stealing in confidence.

While one participant in the study, BM8, mentioned that “... this is equal to stealing some other’s information,” another accountant, GF5, referred to the friend of the accountant in the video as “a thief because he is going to steal the confidential information from his company.” Thus, the scenario in this vignette represents a form of stealing and goes against Buddhist ethics. In this instance, this situation leads to the breaking one of the five precepts that govern the moral duties of Buddhists’ daily lives as it involves stealing. In addition to Buddhist participants, the Hindu accountant in the study, BM15, also indicated that this situation involves stealing, which is not accepted according to Hinduism.

Referring to future consequences in connection with Buddhist ethics, GF5, a participant, stated: “I would feel guilty to give him a recommendation letter.” Expanding on this view, another interviewee, BM4, commented:

I believe this is not going to work. You are trying to do something bad on behalf of your own personal benefit ... If you have done already good things for the community, world, family or society, you will get benefits in this term or in the future If you do anything bad, you will get bad results in return with magnified results This is not such a good thing you are trying to do, which will be revealed at some point in time, you will be penalised. If you want to have a good career path, you have to do things in a good manner, then only you can survive. Probably the outcome won't be visible in a couple of days or years, but someday.

As found in the first vignette, Buddhist participants who believe in karma tend to think that doing wrong will have negative results in the future. Therefore, Buddhists believe that stealing a competitor's information is against one of the guidelines in the Noble Eightfold Path, i.e., "right action."

As shown in Table 27's sixth rationale, six interviewees identified that there is a risk when accepting bargaining or trade-off conditions. For example, AM5 stated that "this is a pure trade-off." AM12 expressed his ideas as follows: "In return for a recommendation letter there is a sort of bargain, a condition here. I think, under those circumstances, I would not accept the information." This view, giving a recommendation letter for competitors' information, was not the best course of action due to its trade-off nature and can be interpreted as act utilitarianism. According to LaFollette and Persson (2013), act consequentialists hold that an action is morally wrong when some alternative action would produce better consequences.

Rationale for stealing confidential information from a competitor

Responding to the third vignette, one accountant in the study, GM6, stated that he would use the confidential information provided by the friend and offered him [the friend] the recommendation letter in this situation. He said:

I would use this information from the friend. Maybe my friend does a wrong thing. Competitor analysis is useful for survival in the market. So, the *company needs this information. Since I am working for the company, I have to work for the betterment of the company* [emphasis added], I will use it. If I use this information, I will not disclose the source. Mainly the code of ethics covers the auditing profession. There are not many detailed guidelines to cover accountants in private/public companies, for example, how to deal with information and so on. So, accountants can go beyond and make their own decisions.

He justified his response, saying that he used the confidential information from the competitor for the betterment of his company. This view, thus, can be interpreted as following act utilitarian principles that are solely concerned with maximising good (Premeaux, 2009). As said in the above quote, GM6 further pointed out inadequacy of detailed guidelines in the code of ethics in handling this type of situations.

7.2.4 Video vignette four: Making extraordinary payments

The fourth vignette presented a scenario in which a bribe is given. A vehicle importing company is currently competing with several others for a large contract to import a number of luxury vehicles for a government department. One government officer, *Ajantha*, rang the company accountant, *Ramani*, and promised to approve the company bid, provided the company pays a “commission of Rs.2.5 million” to him. In that context, *Ramani* struggles to decide whether to agree to pay Rs.2.5 million to the government official in order to have the bid approved.

Thirty-four of the study’s participants claimed that they would not make any payment to the government official. As AM10 put it: “this is an absolute bribe Giving a bribe and receiving a bribe is bad.” All of these interviewees said that the scenario depicted in this vignette typifies what goes on in Sri Lanka. According to GF5: “this is a very common situation. There were situations where politicians’ influences are there.” Moreover, BM12 stated that “in practical scenarios dealing with the government of Sri-Lanka and its officers and bureaucrats, this is the norm, I think.” Elaborating on this idea, GM9 stated that “It is really a current market business where these types of scenarios are especially common, within the public and private sector. But this is a current trend, happening everywhere. Somebody should stop this somewhere.”

AM5 offered several examples of similar situations that were known to him:

Recently, one of our clients paid Rs.43 million to get a contract from the government If you do not pay that commission, for the next 5 to 6 years there is no contract and the company cannot survive after that. I know of a big company – the Chairman is my very close buddy. He says that they did not get so many projects because the company was not prepared to give these commissions. This is what has happened in this country because all the structures were done away with. So, for every simple thing, they want commissions. I can tell many more incidents like this, but that is the hard fact of that situation.

As depicted in Table 28, six rationales were identified for not making extraordinary payments. However, three participants were in favour of paying this money to

obtain the contract (seventh rationale). Another three participants indicated that this is a situation where they would seek advice from their management and let the management make the decision (eighth rationale). Overall, eight rationales were identified in this particular vignette.

Table 28. Rationale for “*Making extraordinary payments*”

Rationale		Ethical theory/ philosophy	Number of responses
For not making extraordinary payments			
1.	Bribing, unethical	Rule Utilitarianism	11
2.	Against ethical principles in the code of ethics established by professional accounting bodies	Rule Utilitarianism	7
3.	Company procedures	Rule Utilitarianism	6
4.	Bribery prohibited by law	Rule Utilitarianism	4
5.	Personal ethics and cheating	Religious ethics	4
6.	Multicategory		2
For making extraordinary payments			
7.	Acceptable practice in Sri Lanka and for survival, we have to do it.	Act Utilitarianism	3
Beyond accountants’ scope			
8.	Management decision	Rights	3

Source: Author

Rationale for not making extraordinary payments

The first most common rationale was that bribing was unethical. Around 25 % of interviewees (11) supported this view. For example, BM5 said: “I think we should not pay 2.5 million rupees. This might be the practice but it is unethical.” AM2 described this situation as follows:

Unfortunately, this has been the scenario in most parts of the developing world ... giving the bribe and taking the bribe; both are not acceptable. If that is being done, then anybody will find fault with me.

As depicted by the second rationale in Table 28, another seven interviewees argued that this situation would be against the ethical principles in the code of ethics established by professional accounting bodies. For example, AM9 states: “from an accountant's point of view, our ethics code will not let you do this.” GM2 emphasises the fact that: “You are compromising your objectivity because you are

doing a deal on certain agreed commercial grounds.” Additionally, BM8 states that this situation affects several ethical principles. Moreover, BM7 highlights that “still giving an inducement, again is out of the ethics Professionalism, integrity especially, those things are violated. This deal should be a fair one. Because it has to be equitable and equal to everyone.” Furthermore, BF9 indicates that “it is a breach of honesty and professional conduct.” Moreover, BM2 based his decision not to pay the money on future consequences, as follows: “due to the code of ethics and we should not bribe anyone because it can destroy our career and professional life. We can earn more than that if we work properly.” AM11 also elaborated on why he would not offer a bribe:

I would not give bribes; rather I would continue with my business ethics for the firm and also the ethics of your profession and would stick to the set of procedures and move forward on it. I would not encourage anyone else to give bribes.

Touching on a theme found in their responses to the other video vignettes, six participants argued that the accountant should not make this payment, since it may be against company procedures (third rationale in Table 28). For example, BF16 stated: “we do not get commissions. Again, personally and the company I am working for abiding by principles, we cannot give bribes or accept bribes from anybody.” Moreover, GF4 claims that “Since we are professionals, we have to follow company procedures. Because if we do such things, these are short term, not long lasting.” GM8 claimed: “definitely I would reject it. Because he wants to inflate the contract and get some benefit. I am not doing the right thing for the company.” Further, BM11 added:

not only at the individual level has this kind of thing been set up, but at a company level. I mean, the company that I belong to, it is bound by both. We do not mind disposing of a company engaged in this kind of deal rather than holding on to such an entity. I would say, ‘No’.

Moreover, BM14 stated that

... as an accountant and within a company also we are very strict on not giving bribes.” GM10 says that “... paying commissions to a party without considering the agreement with the company is not acceptable. This is something of an underhand affair to get business. That is not the way one

should act. If at all you want to give commissions, you offer a discount to that particular company. That is the best way.

Additionally, BM3 claimed that

at [name of his current company], we have a separate policy [on] how to deal with government officials and anti-bribery directives, so, based on that, I would not do that. I worked for a few other companies So, all the companies believe in the same concept. Just for your information, at [his previous company's name] actually, we lost a lot of government orders because we are not willing to bribe. Even at [current company], we are mainly dealing with government, government contracts like highways and so on. Sometimes it's very difficult to get things done, but, still, we go on our route.

The fourth rationale depicted in Table 28 is that paying the Rs.2.5 million is illegal. Supporting this view, GM11 stated that “this is not only unethical but illegal.” Further, BF9 indicates: “I wouldn't accept paying the commission. If the tender has gone through a legal and regular process, I can accept the tender.” GM1 firmly asserted that “you should not misuse the profession. This is illegal.” GM12 provided more facts related to the same point when he said:

In Sri Lanka, a bribe is legally prohibited by the Bribery Commission, which takes action. I also have to go at least three times a month to those commissions. It is because of the work of certain enterprises. This Commission is functioning. I do not know about the final results.

Religious ethical principles were used in decision-making by four Buddhist participants in this situation, as is shown Table 28's fifth rationale. Whilst GM6 says that “This is cheating,” GM3 states that his personal ethics, which are shaped by his religion, are the most important factor to be considered, as they come above the law or anything else. Thus, he mentions:

2 to 3 hours ago I had a chat with my AGM [Assistant General Manager] about how I didn't support the stock brokers and that sort of thing. Well, it doesn't go along with my personal ethics ... I will never betray my personal values.

From the Buddhist point of view, the action is seen as unethical or wrong because paying a bribe is seen to have unpleasant consequences or bad karma in the future. However, it was surprising that only three Buddhists in the sample saw that bribery is an unwholesome activity that can have serious consequences in the future.

In this particular vignette, two participants had views that can be interpreted as drawing on a number of ethical theories (See Table 28's sixth rationale). Table 29 cites these two examples in which the actions of accountants could be interpreted by the act or rule utilitarian and justice principles.

Table 29. Mixed rationale for “*Making extraordinary payments*”

Participant	Quotations [Ethical theory]
BM13	It is like a kickback, Rs. 2.5 million...It's unethical [Rule] The thing is, we have to understand the accountant's role here. Another reason why this is unethical is that we deprive some other independent party of the ability to win this contract [Justice].
BF6	Of course, from the company perspective winning this contract must bring a lot of other benefits to the company. But it is better if they could win this contract based on a fair dealing rather than bribing or corruption and things like that [Justice]. Because someday, if the government official gets caught by whatever government department he is working in, then the company's reputation will also get impaired due to this commission payment and they may say that the company has bribed and corrupted and then they could have to face lawsuits as well [Rule]. That is the worst-case scenario.

Source: Author

As shown in Table 29, both the participants argued that making extraordinary payments was illegal. In addition, their views represent the idea that paying the bribe and gaining the contract would not be fair to other parties in the business. These views can be interpreted using justice principles. In the justice approach, the basic ethical question is how fair is an action and whether it treats everyone in the same way (Premeaux, 2009; Rawls, 1958). In this situation, these accountants were in a view that business deals should be fair to everyone; thus, the action has to be evaluated based on fairness and impartiality.

Rationale for making extraordinary payments

In addition to the above ideas, three participants, those who were in favour of paying the money to the government official, argued that bribery is an acceptable practice and it is necessary for survival in the market. This rationale can be interpreted as act utilitarian justifications (seventh rationale in Table 28). As GF7 put it: “... this, of course, to survive in the market, we have to do in the real world.” BM4 shares a similar view and stated “As the person in the video [government official] said, I have to think twice and ... sometimes these things cannot be avoided for surviving

in the business world.”

Additionally, BM8 stated:

First, I will check my authority level. We can also consider the possible losses by losing our contract. Certain companies, they have to incur losses. Within our authority levels, I will pay what I can, considering all the possible consequences.

Although, bribery and corruption have long been perceived as unethical in the literature (see., for example, Burke and Tomlinson, 2016) , these three participants were being practical in the Sri Lankan context. The argument here is, in the context of Sri Lanka, a highly corrupted country, bribery is frequently used to obtain business and is seen as the norm; thus, bribery is necessary for business survival.

Making extraordinary payments: A management decision

As presented by the last rationale in Table 28, three participants believed that this is a decision to be taken by management and not by the accountant. For example, AM5 claims that “This is not a decision for an accountant to make. This commission will have to be made by the management. As the accountant, you have to do only the accounting part of it.” Further, AM7 said: “I will not make the decision. I will leave it to my directors to decide. Without their knowledge, I should not do it.” The views of these accountants show that the management should negotiate with the government official. In this instance, accountants speculate that it was an obligation to respect the rights of the management, thereby shareholders of their organisations.

7.3 Summary

This chapter discussed the interview findings relating to the first two research questions of the study. When answering the first research question, accountants perceived ethics, accounting ethics, and ethical decision-making processes from a wide range of viewpoints. Sri Lankan accountants perceived ethics as both professional principles and personal values based on their religion, primarily Buddhist values. In addition, accountants saw that personal values and professional values are complementary to each other. Although, accountants’ views were in

agreement with the concepts of both ethics and morals, the findings revealed that in practice, they were unable to distinguish between the two. As do many ethics researchers, Sri Lankan accountants share different opinions with regard to ethics and morals.

Further, the Sri Lankan accountants perceived that accounting ethics is complex, personal, and a professional attribute. In addition, they identified the relative importance of ethics to business and society. At the same time, they reflected a negative perspective, particularly with regard to the implementation of ethics in Sri Lanka.

With regard to the understanding of the ethical decision-making process, the accountants showed high ethical awareness, judgement, and intention, which suggests that Sri Lankan accountants follow an ethical decision-making process to a greater extent when faced with ethical dilemmas. The above insights help to understand the context of the study in order to achieve the primary objective of the study, developing an ethical decision-making framework for Sri Lankan accountants.

The responses to the second research question were obtained after presenting four video vignettes that depict ethical dilemmas: accepting gifts; adjusting financial statements; stealing confidential information from a competitor; and, making extraordinary payments. These responses showed that the rationales used by Sri Lankan accountants when faced with ethical dilemmas can be interpreted using a number of ethical theories/philosophies. The findings indicated that Sri Lankan accountants' decision-making centres primarily on various rules, rights, justice principles, deontological principles, and religious ethics. One of the unique findings in this study is following religious ethical principles, including Buddhist ethics in reasoning decisions by Sri Lankan accountants. From conceptual perspectives, it can be clearly seen that some interviewees follow religious ethics, including Buddhist values in that they possess a sound understanding of their religious ethics.

Having answered the first and second research questions in this chapter, the next chapter will discuss the role of the factors that influence the ethical decision-making

process. Accordingly, it will attempt to answer the next four research questions of the study using interview data.

Chapter 8

Interview Findings: The Role of the Factors Influencing Ethical Decision-making of Accountants

8.0 Introduction

This chapter presents the interview findings of the responses provided by professional accountants in Sri Lanka on the role of the factors influencing ethical decision-making. It addresses the study's remaining four research questions by drawing-on the interview data. It illustrates the role of various factors on ethical decision-making: individual, organisational, environmental, and moral intensity factors. The presentation of the findings follows the order of the study's research questions and integrates these findings with the themes explored and discussed in the relevant literature.

The chapter is organised as follows. The first section describes the role of several individual factors in ethical decision-making: gender, age, religion and religiosity, education; work experience, and other individual factors. The next section explains how interviewees perceive the role of organisational factors, including the availability of codes of ethics in accountants' work organisations and the impact of organisational culture on ethical decision-making. The third section explains the role of the codes of ethics issued by Sri Lankan professional accounting bodies in ethical decision-making as environmental factors. The fourth section describes the role played by moral intensity factors in the ethical decision-making. Finally, a summary is presented.

8.1 The Role of Individual Factors in Ethical Decision-making

This section explains the interview findings on the role of selected individual factors including, gender, age, education, work experience, religion, and religiosity. Interviewees were asked to comment on how they felt about the impact of these factors on ethical decision-making.

8.1.1 The role of gender in ethical decision-making

Gender has been seen as an important human behavioural element (Serwinek, 1992). In this study, the role of gender in ethical decision-making was examined by interviewing 31 males and 9 female accountants. During the interviews, it was observed that male accountants were more likely to exchange their opinions willingly and openly. On the other hand, female interviewees were rather hesitant when explaining their responses and tended to provide short answers. Although women's representation in highly paid professions in Sri Lanka is equal to that of males, Sri Lankan women are not well presented in planning or at decision- or policy-making levels in either the private or public sectors (Herath, 2015), which may account for the females' short responses during the interview process.

A number of views were obtained from the respondents on the impact of gender on their ethical decision-making process. The first view was that ethical decision-making was not gender-biased. The majority of accountants in the sample (i.e., 20 males and 7 females) supported this view. As argued by a male accountant (AM8): "as long as you are convinced that what you are doing is correct, we should do it irrespective of whether you are a male or a female." A similar view was expressed by another male accountant (BM11): "my point of view is, in terms of the accountancy profession, I don't think there is a discrimination whether you are masculine or feminine. I would say a decision would depend on the individual."

However, 11 male and 2 female interviewees indicated that women and men differ in their ethical decision-making, but, both the male and female accountants offered various reasons to justify their answers. One group of accountants (six interviewees) perceived female accountants to be more ethical than males. Two of these six accountants were females. Two accountants (BF1 and AM11) mentioned that women are more caring about others in decision-making than men are and that, overall, the responsibility of women to the entire community was greater than that of men. For example, AM11 explained that "usually females think about what would happen and they analyse the impacts of their decisions on everyone." Sharing the same idea, a female accountant (BF1) expounded her views as follows:

I think sometimes males are more aggressive when they make decisions and do not think about the outcome of the act. They want to straight away make a decision and finalise the matter, but females are more conscious about the outcome of the action on others more than the males. Based on that, I feel there are differences.

Some accountants stated that gender differences are linked with Sri Lankan society. This view was reported by Gill (2010) who claimed that gender differences have been seen as a culturally related factor. The existence of such differences was evidenced by a female accountant (GF5) who shared her views that “it [gender difference] is a matter in the Sri Lankan society. I feel females are more ethical than males. Whatever we heard, more males have been caught for taking and giving bribes.” A similar view was shared by another male accountant (BM2) who commented: “males are more risk takers than females. Due to this reason, they tend to do unethical things. On the other hand, females are risk averse and they try to avoid such things.” In contrast, a male accountant (GM10) argued that, specifically in Sri Lankan society, there is no gender bias in decision-making by males or females. He elaborated his views as follows:

There is a gender equality in this job. But, of course traditionally in certain cultures, there may be certain ways females and males behave. For example, in the Islamic society, from day one, a female is considered as a different species and they are given a certain upbringing which will influence the personality of a person. So, that will affect the decisions. In the Sri Lankan, the culture, we are an open society and do not have such situations.

On the other hand, six male accountants had a strong perception that women in Sri Lanka are socially, culturally, and economically dependent on men; thus, the decisions taken by them are influenced by men. These accountants believed that males are more ethical than females. BM4 pointed out that, although it has changed in recent years, Sri Lankan society has culturally and historically been male-dominated. He indicated that “my personal belief is, a male is a male and a female is a female, there is a difference.” This way of thinking is again linked with Sri Lankan culture. One male accountant, AM10, stated that “within our culture, women have more decorum and they respect values. Due to this reason, sometimes women may be used by others [males] to apply pressure.” Interestingly, none of the female accountants supported this view.

In addition to the above views, one male accountant (AM9) stated that gender may have an impact on ethical decisions; however, those decisions can be based on emotional factors. He stated that he was not sure whether males or females are more ethical. He expanded his ideas as follows:

I don't know whether males and females are affected by the same emotions, but clearly, as a human being, in any situation where it impacts a behaviour your emotions have to have a greater play. It is difficult for me to say, but obviously, there will be different things female could be impacted from a male, behaviourally. If that is the case, obviously, it will impact. It depends on what emotions trigger in different people.

These findings are consistent with research that has found persistent evidence of gender differences (Cohen et al., 1998; Eweje & Brunton, 2010; Pierce & Sweeney, 2010) and in negotiations (Keller et al., 2007).

8.1.2 The role of age in ethical decision-making

Prior literature has recognised the importance of age in ethics research (Weeks et al., 1999). In general, when explaining age, one participant, AM8, stated that “these two different generations [younger and older] have two different sets of values that are totally dissimilar.” Thus, it was vital to obtain views from the interviewees on the role of the age of accountants in ethical decision-making.

When the accountants were asked to explain the role of age in ethical decision-making, the majority (25) stated that young accountants might act more unethically than their older counterparts. One of the reasons for this opinion was that young accountants do not tackle ethical situations in a mature manner. Here the interviewees made a number of points: young accountants' awareness of ethical issues is low (BM2 from the age group 31-40 years); it is difficult for young accountants to distinguish between what is ethical and what is unethical (BM3 from the age group 31-40 years); and, the young age group is aggressive (BM7 from the age group 21-30 years). Another middle-aged participant, who was from the 31-40-year-old age group, (BM13), explained his ideas on the role of age in ethical decision-making, as follows:

That is all about the maturity of an individual. When an individual is exposed to different environments, you tend to realise the way people think and how the environment reacts and all that. I have a lot of evidence to say about that The organisations and their superiors have framed them [young accountants]; so, they don't really get that maturity at their early stage. As they go along, they have to have somebody to support and understand the importance of ethics. The answer to your question is, age matters. As you go along, your ethical personality will get shaped, will get stronger.

Another reason was that, according to older accountants, young accountants are keener on benefits, including financial benefits (AM11, from 31-40 age group) and promotions (AM2, from 31-40 age group) than older, mature people. Thus, younger accountants may act more unethically than their older counterparts. The views of AM2 in this regard provide an example:

At the early stage of the qualification, people are eager to get the promotions, to get more benefits. When that happens, for example, in the third video vignette, he [the accountant] wanted to get the information and give it to the managing director and show his colours. All because of not having the required maturity to understand the gravity of it or understand the right context of it.

In addition to the above benefits, AM9, who came from the 51-60-year-old age group, explained that young accountants are subject to greater outside pressures than older more mature accountants; thus, they tend to act unethically. He shared his views as follows: "Age is also behavioural and is impacted by your emotions and circumstances; for example, a younger accountant may be subject to various pressures."

Only one participant, AF6, who was in the 41-50 age group, argued that older accountants might act more unethically than young accountants. Her argument was that older people are exposed to more innumerable dilemmas than younger ones and know how to tackle such things. Therefore, when people become older they may tend to do unethical things.

The remaining 14 interviewees believed that age does not matter when making ethical decisions. For example, AF3 (from the 51-60-year-old age group) stated:

“right from the start of being a student accountant, they tend to act ethically.” In line with this position, BF6 (21-30 age group) shared her views as follows:

Age is not a problem. If they can finish a qualification in that age, then practising what they have learnt should be there. They can't make any excuse saying I'm young and I didn't know the bad consequences of this. If they can get through the exams and if they have done the ethics paper and it is just a matter of what they should be in a position to identify the correct thing from the wrong.

These findings are consistent with those of several previous studies which also suggested inconclusive findings: older people are more ethical (Eweje & Brunton, 2010; Serwinek, 1992); younger individuals are more ethical (Elango et al., 2010; Roozen et al., 2001; Sankaran & Bui, 2013); no differences (Kuntz et al., 2013; Pierce & Sweeney, 2010). The interview findings of the study, thus, remained inconclusive with regard to a relationship between age and ethical decision-making. Therefore, it is difficult to conclude that older accountants are more ethical than younger accountants or vice versa.

8.1.3 The role of education in ethical decision-making

Prior studies have concluded that the role of education in ethical decision-making is not yet fully understood (Pierce & Sweeney, 2010). In this study, the role of two aspects of accounting education, its academic and professional aspects, was established through a sample of 40 professionally qualified accountants. Among them, 13 accountants hold multiple memberships including CA, CIMA, and ACCA, while 27 accountants hold only one membership (22 CASL members, 4 CIMA members, and 1 ACCA member). Further, these accountants had achieved different levels of academic education. While 26 of them hold academic degrees (10 had undergraduate degrees and 16 had received master's degrees), another 14 accountants had completed only high school qualifications. During the interviews, each interviewee was asked to provide his/her opinion on whether academic and professional education has an impact in ethical decision-making.

Almost all the interviewees agreed that education, in general, is crucial, because accountants should display the highest level of professionalism. As AM7 (CA and CMA membership holder with a high school qualification) stated: “education will

definitely have an impact. For example, the ethical behaviour of a qualified accountant and a nonqualified accountant will be totally different.” However, some had neutral views about the importance of professional and academic education in ethical decision-making. As AM2 (CA member and master’s degree holder) indicated: “When a person has a professional qualification, whether he has a degree or not, it won’t make a big difference because part of the curriculum in many ways has given proper exposure to ethics.” Another CIMA accountant, who had a master’s degree (BM4) shared his views as follows:

Education is very important. Sometimes a person with a degree performs really well. At other times, a person only with professional education may perform much better than the other or somebody who does not have a degree or professional qualification but only with experience may also perform better.

He offered the following reasons for his decision:

People bring these values on their own. They all add different flavours. It is a matter of getting the right knowledge to the right job. For an example, if an artist tries to do some accounting work, it doesn’t work or they struggle. The most difficult thing is to understand “the passion,” the right path.

As discussed above, education enforces ethics on accounting students in terms of the values they develop while completing their education. Basically, education helps to “develop critical thinking skills” in students at the tertiary level, as BM8, who has completed an undergraduate degree along with his CA membership, noted.

While highlighting the importance of ethics within the accounting curriculum, several accountants pointed out weaknesses in the accounting education system in Sri Lanka. The first weakness lies with the professional accounting education system in Sri Lanka. For example, BM11 (CA member with a master’s degree) was critical of the Sri Lankan professional accounting education system. He stated that “We don’t have a fundamental academic educational level [graduates] to start with for the professionals. That is missing in our country.” In Sri Lanka, the entrants to professional accounting bodies in Sri Lanka are not necessarily graduates.

At the professional level, BM13 (who has multiple professional accounting memberships and a master’s degree) pointed out that students “study ethics for

exams without understanding the importance of ethics in their career.” Therefore, he stressed that “Teachers have a main role to explain that ethics is something beyond examinations that can help in your career.” With regard to professional accounting education, GM2 raised several questions about the quality of the professional accounting courses that teaching institutions provide. He asked: 1. “Do they [teaching institutions] have the right kind of lecturers with [the] right kind of qualifications? 2. What are the procedures they follow to teach the right thing?” These issues have yet to be addressed by professional accounting bodies in Sri Lanka.

While highlighting the importance of ethics in education, as per GM2’s second question, BM2 interrogated the adequacy of ethics in the current Sri Lankan education system as follows:

Here [in Sri Lanka], it works [the] another way around. You get the product out from a system and the system is not giving you the right ingredient. You are coming from the best of the places, popular schools or whatever the places and you easily have the contact base to become the director of a company and at the end of the day you go and ruin it. At that stage, you have programmes to teach ethics to the directors of the companies. Does it work? In my view, it does not work. How can you convince? So, you have to get the seed at the right place. There is a responsibility of the educational institutions to have a greater weight in that ... we [are] always in a rat race....

A second weakness is that, in general, some accountants see the whole educational system in Sri Lanka as a mess. AM4, a senior audit partner, stressed this idea: “It is the system that has to be revamped. I think the universities are to be blamed most. I do not think universities [in Sri Lanka] [are] doing that.” In particular, AM4 argued that the university curriculum is also outdated and that the quality of teaching and research is low. In particular, he stated that “It is very difficult to change that culture in the universities. The only thing that they can do is to streamline their syllabuses to teach the principles more.” Elaborating further, BM7 (CIMA member with a high school qualification) shared his opinion:

Education matters a lot but it should be a proper education and not the book qualification which is what we have in Sri Lanka. I am a bit upset about it, because there are so many people depending on these weaknesses in the

system and, as a result, the general public in general suffer. It comes back to politics.

In particular, the politicised nature of the current education system is revealed by BM7. This politicisation affects both universities and professional accounting bodies. Two participants pointed out particular issues in the university system. For example, GM2 stated that “when it comes to [the] university situation there is another problem. You have to handle different pressures, like the unions, other student groups and all that.” AM5 talked about the “student violence and radical politics in universities in Sri Lanka.” As pointed out by BM10 (cited in chapter 7), in the context in Sri Lanka, all professional accounting bodies seem to be politicised. He, an ACCA and CIMA member, further explained the current situation as follows:

ACCA is also having the same issue. They want to bring ministers. I always tell them “why do you want to bring ministers?” I was a CIMA elected council member as well. I’ve been on the committee for 6 years. We brought in various politicians [removed names]. I always tell them why don’t you bring in High Commissioners or someone of another country?... As a professional body, we would like to see our professional body having recognised high ranked people coming in, but how can we bring those fellows? We have a dilemma.

This is, however, only one issue. In the perceptions of the interviewees of the study, education continues to be a sector particularly affected by the persistent problem of politicisation. Within this context, it is unreasonable to expect that members of those professional accounting bodies and accounting students adopt high ethical standards.

The above discussion suggests that education matters in accountants’ ethical decision-making. However, in the current context, the contribution of the role of education appears to be minimal in shaping accountants’ ethical decision-making. Therefore, this needs to be addressed at an organisational rather than an individual level. As a remedy, one government accountant, GM2, stated: “In my view, we have to strengthen the education system.” Additionally, GM9 suggested that “ethics can be taught but practice cannot be improved from the knowledge. Therefore, attitude changes need to take place. This change should be a comprehensive type of teaching or behavioural change.” Making such changes, he believed, should at least maintain

accountants' ethics to some extent. Hence, universities and professional accounting bodies need to consider how to incorporate ethics into their curriculum in a meaningful way. At the same time, it is crucial for them to take necessary actions to minimise the weaknesses discussed above.

8.1.4 The role of work experience in ethical decision-making

The previous discussion of the role of age in ethical decision-making highlighted that it is not the "age" but the "maturity" of a person that matters. As BM13 put it: "That is all about the maturity of an individual. When an individual is exposed to different environments, you tend to realise the way people think and how the environment reacts and all that." The "maturity" referred to here was one's experience within a specific job and/or industry. Generally, the more work experience one has, the better one makes ethical decisions.

As with prior research, the majority of participants identified work experience to be one of the critical factors in ethical decision-making. According to BM10 who has more than 20 years' experience, "work experience matters when it comes to professional work." BM13, who has 16-20 years' experience, expressed his opinions as follows "[In] some roles, there may not be ethical issues as such Certain work can attract more ethical issues than some others. In that case, work experience matters."

Several arguments were offered by interviewees to support the idea that work experience matters in ethical decision-making. One argument was that greater experience might be linked with greater awareness of what is ethically acceptable. BM3, an accountant with 11-15 years' work experience, commented:

When you are inexperienced, it is very difficult to distinguish between what is ethical and what is unethical. When someone comes and gives you a thousand bucks you can understand but, sometimes bribers are very smart. They know how to tackle. Probably approaching through your wife, parents, and if you are immature and inexperienced, probably you might not be able to recognise 'til you are trapped and you are being bribed. So, it comes with experience.

Another argument is that greater experience helps in dealing with similar situations. As BF1 said: “[a] more mature person [may] have faced many experiences. So, he/she can easily make a decision based on their experiences and [experience] favourably affects ethical decision-making.” Moreover, greater experience may be linked with greater responsibility for the public. Another highly experienced participant, AM10, who has been an accountant for more than 20 years made that point when he said:

What I feel is when you become more senior, the responsibility for ethical correctness and concern for the public interest is greater for a senior accountant than a junior accountant, because a senior accountant can always resign and get out if he doesn’t like what is happening. The junior guy’s just started and he is very scared that he will lose his job.

Thus, according to the interview data gathered from the study participants, work experience can be seen as a potentially important factor in the ethical decision-making of accountants. Hence, this is an interesting finding with major implications, as all the participants argue that work experience matters. This finding implies that experienced accountants have already faced a wider range of ethical issues than inexperienced accountants; thus, they can react in an ethical way. These findings are consistent with those of previous studies, particularly that of Weeks et al. (1999) and Eweje and Brunton (2010) who found that more experienced individuals seem to be more ethically oriented.

8.1.5 The role of religion and religiosity in ethical decision-making

Research into the relationship between religion and ethics appears to be common in that religion affects ethical decision-making. Thus, the role of religion and religiosity was examined in the Sri Lankan context which is labelled as a Buddhist country despite the presence of Christians, Hindus, and Muslims. All religions are freely practised in Sri Lanka. In this study, the majority of the interviewees were Buddhists (31); however, 6 Christians, 1 Hindu, and 2 Muslims were also interviewed.

The impact of religions on ethical decision-making

All the interviewees agreed that religion has a major impact on how they understand right and wrong in ethical situations. Several of the views offered about a religion by a number of Buddhist participants follow: GM3, for instance, stated that religion provides principles on what is good and bad. He further mentioned that “all the religions preach the same principles.” While GM9 indicated that “religion provides us guidelines,” GM12 said that “religious teachings have some impact because they do have their own code of ethics.” Another participant (AM10) mentioned that “religion plays a major role in making ethical decisions.” Thus, most Buddhist participants demonstrated and reflected their awareness of the importance of Buddhism in their moral development.

In addition to Buddhist participants, the following examples were provided by participants from other religions: a Christian participant (BM14) stated: “I think it plays a big part”; a Muslim participant (AM10) said: “I personally and strongly believe so. But all of this depends on the perception of your religion”; and, the Hindu participant (BM15) also displayed his strong devotion to his religion, stating: “I’m a regular religious follower. Even today I go to the temple and, therefore, I think religion plays a role.”

Having agreed that all religions impact their decisions, participants went on to describe further how religion impacts their decision-making. In particular, a Buddhist participant (BM13) articulated his ideas as follows:

The purposeful approach as to what is right or wrong is the meaning of religion and any religion will have a thought process about what is right and what is wrong. Therefore, religion has a major impact on ethical decision-making.

Another participant, BM11, voiced his opinion on what is right and wrong as follows:

Maybe it comes from the storybooks we read, stories that we hear from our grandmothers and grandfathers, *Jathaka* stories [Buddhist stories] we hear in temples and from history. I can say, it comes from Sinhala literature also.

Those things may influence our understanding of what is right and what is wrong.

Participants spoke about The 10 Commandments in Christianity and five precepts in Buddhism that can be used to shape their behaviour. Three Christian participants highlighted the importance of The 10 Commandments. For example, AF3 stated: “we have 10 commandments to follow. We believe [in] one God, parents, not to tell lies, not to steal etc.” In addition, BF6 indicated:

We are very strong Christians. Our ten commands guide us to understand what is right and what is wrong. So, being a Christian, it has helped me in practising to become a good citizen. Because at the end of the day, we are scared of God.

As AM7 explained, “Christians are God-fearing. That comes in front. If you are trying to do a wrong thing you will feel that someone is talking to you.” On the other hand, Buddhist participants admitted in their interviews that their conscience is based on the values promoted by the five precepts of Buddhism. For example, BF9 stated that “being a Buddhist ... every time I make a decision, I am trying to be within the five precepts.” Thus, participants from major religions stated that religions provide guidance through certain moral prescriptions (e.g., Buddhism’s five precepts and Christianity’s 10 commandments).

Not only the five precepts, but several other concepts were also discussed by several other Buddhist interviewees, including “karma” and “cause and effect.” BM2 revealed:

being a Buddhist person, I believe in karma so it matters a lot. Knowing that fact, I always tend to do right things without affecting others. If a person is a follower of Buddhism or any other religion, he/she tries to avoid doing wrong things.

Another interviewee (GM2) shared his ideas as follows:

If an accountant has some kind of flavour in the religion, that is a plus, because in religion you talk about some kind of spirituality, cause and effect – if you do well, you will get good returns. As Buddhists, we believe in continuous births. If you do something wrong, if not in this birth, but the next birth, you will have to face it.

Further, BM7 elaborated his views on Buddhism as follows:

When it comes to “karma,” it is the mind. If I give something to a beggar, it will not give any merit to me. If I hit someone, it will not be a sin. But if you do something bad, it goes into your mind and you will never be able to get it off your mind. You will suffer forever If you can teach how to use your mind, then before I make decisions I will think twice. I will know how to trick my mind so that I will not get attached to anything and I will not do anything bad, anything unethical.

In addition to the above views from Buddhist and Christian accountants, a Muslim interviewee, AM10, declared that right and wrong is “an act of worship. If we really take the concept of life, that every act we do, doing honest, is an act of worship.” Clarifying this idea further, he described his faith in God as follows:

Say for an example somebody gives a bribe, nobody is seen. When we do fast, nobody knows whether I drink water inside; I can show outside that I’m fasting and the time of the break-fast we put a cap and pray and everyone thinks that I have done fasting ... Who knows what I’m doing? It is only you and God. So, if you take that view of life where everything that you do is an act of worship, whichever God, I always tell my fellow Muslims, it really doesn’t matter for me.

The above discussion provides a sample of how Sri Lankan professional accountants perceive religion. Almost all participants showed a good understanding of their own religions, concepts, and consequences. These findings are consistent with previous research in Thailand (Singhapakdi et al., 2000) and several Christian contexts (Conroy & Emerson, 2004; Keller et al., 2007; Kurpis et al., 2008). The findings showed that participants in the study are aware of what is right and wrong when they face ethical dilemmas. In addition, most of them showed a high level of religiosity. Thus, these participants are more likely to reflect ethics better than are others with a low level of religiosity. In terms of the relationship between religiosity and ethics, not just having a good understanding of the religion is needed; involvement or commitment to religious values is also vital.

Contemporary issues: The role of religiosity among Sri Lankans

Going beyond Sri Lankan accountants’ understanding of their own religions, some of them argued that Buddhism in contemporary Sri Lanka has lost its ethical and

philosophical attitudes. One aspect is people blindly worshipping without understanding. For example, one Buddhist participant (GM2) explains the situation as follows:

There are blind devotees because you worship the God or whoever your religious leader is, blindly assuming that that person knows the theory and it is the ultimate truth, therefore, the fact that I worship and sacrifice. You don't know the real merits of it. So, that will not serve the purpose. The other group follows the religion with the right understanding.

As noted by GM2, the majority Sri Lankans practise Buddhism without proper understanding. It is not necessary that individuals need to be ordained as a monk or a nun to have this right understanding. GM2 elaborated this fact as follows:

you don't have to go to that extent. As long as you have had a habit or a history of going to a temple or being part of a religious alliance will give you some comfort on that side, because you can reasonably assume that this guy has developed that skill to a certain extent.

If people devote themselves to practising Buddhism regularly or occasionally, and they believe in cause and effect, that helps them to develop right understanding, leading to moral development. However, contemporary Sri Lankan Buddhism is marked largely by people blindly following the religion and going after material things. For example, various rituals practised by Buddhists include giving *dana*³⁶ (almsgiving) to monks and people in need; listening to sermons and *pirith*³⁷; chanting *gathas*³⁸; offering flowers and lightening lamps, conducting *bodi pujas*³⁹ etc. These rituals represent peoples' extrinsic motivation towards a religion.

This aspect is further highlighted by one Buddhist participant (BM12), who stated that many people today perform religious rituals, expecting material benefits in this life. However, he claimed: "I'm not saying that the rituals should not be done. The rituals help you at least to remember that you did something good." It is not only Buddhism that has lost its ethical bearings in Sri Lanka, but the same thing is

³⁶ *Dana* is a Sanskrit and Pali term that connotes the virtue of generosity or giving of alms.

³⁷ *Pirith* is the recitation or chanting of the word of the Buddha.

³⁸ *Gatha* is a Sanskrit word for song or verse. This is also the recitation or chanting of the word of the Buddha.

³⁹ *Bodi puja* is a popular chant.

happening in other religions as well. Supporting this view, a Muslim accountant (AM10) discussed this position as follows:

A lot of emphasis of the religions are rituals. For Muslims, they say go to the mosque, grow a beard, put on a cap, all sorts of things. We are supposed to pray five times a day. These are all rituals If you study Islam, it is a way of life where it says that whatever you do, you do it for the pleasure of God. Even the way I speak to somebody, if I treated an elder with respect they are acts of worship. If I pay somebody's wages in time, if I pay somebody fair wages, if I don't cheat, if I don't lie, every one of them is an act of worship. Not what you do in the mosque ...

According to these arguments, many people go to temples/churches/mosques to worship/pray; and practise the religious rituals. According to Buddhism, if one performs rituals, believing in karma and with a good intention, rituals may definitely help people to receive good fortunes, good rebirths and nirvana in the future. However, the claim of "performing rituals for material benefits" suggests lack of intrinsic motivation to their religions by Sri Lankans.

As another issue in contemporary Sri Lanka was highlighted by a Buddhist interviewee (GM10) as follows: "many Hindu gods and demons are worshipped for material benefits as Buddhist practices in temples." In contemporary society, which is highly corrupted, where people cannot find truth and justice, Hindu gods of power are more appealing to the people. This idea showed that the Buddhist practices have been influenced largely by Hinduism in contemporary Sri Lanka and this can be a possible reason for the failure to understand the Buddhist religious values accurately.

Although the initial findings revealed the significant role that religion plays in shaping accountants' understanding of right or wrong when they face ethical situations, the latter discussion revealed issues about religious practices in Sri Lanka in general. In that context, it is doubtful whether Sri Lankans have high religiosity. It is possible that Sri Lankans are more motivated to their religions extrinsically than intrinsically. However, the true effect of religiosity on ethical decision-making is not easy to interpret. The lack of clarity reflects that there is a disconnection between the Sri Lankan accountants' understanding of ethical situations as opposed to the actions they take.

8.1.6 The role of other individual factors in ethical decision-making

Next, the participants were asked to explain any other individual factors that affect their ethical decision-making. The majority of the participants responded to that question with several answers including “upbringing,” “family background” or “social background.” They all attempted to explain the impact of the environment in which an individual grows up using such terms. Similarly, Bommer et al. (1987) include the individual’s home environment as an influencing factor on ethical decision-making. This includes family and relations, friends, and all the people around an individual. For example, one accountant (GM9) believed: “mainly it is coming from the family background. If the family background is corrupted, they don’t know how to act ethically. If you have good people around you, you will make ethical decisions always.” Expanding on this view, an accountant (BM13) stated:

I think the family background is a very important thing when it comes to ethical decision-making. Firstly, before anybody, an individual grows with his parents. They are considered to be the first teachers. That has a major impact in shaping the ethical behaviour. Secondly, friends with whom they associate. Then, the school environment that can change one’s behaviour.

BM7 discussed the importance of family background in shaping one’s behaviour. He explains several fundamental mistakes made by Sri Lankan parents, especially how children are raised in the Sri Lankan culture.

Parents train children in such a way that everything is competition. They make children aggressive and make them run after goals at the expense of others They provide them with education but that is not what the child wants. What a child wants is teaching from parents to live in such a way that they are happy Our children go to school. After that, tuition classes. There is no social interaction at all apart from Facebook, which is the biggest lie in the world.

When children are between 21 to 25 years old, they get released into the society and they have no idea. Then they suffer a lot ... because you were not raised in such a way that you know how to handle people.

In line with Bommer et al. (1987), the study participants identified family background as playing an important part in developing one’s value system from childhood onwards and saw it as an important determinant of moral thinking.

8.2 Accountants' Perception of the Role of Organisational Factors that influence the Ethical Decision-making of Accountants in Sri Lanka

Since participants were identified by their work organisation type, the following sections discuss the participants' opinions on the role of organisational codes of conduct and organisational culture.

8.2.1 The role of organisational codes of conduct or guidelines

Before moving to a discussion on the impact of organisational factors, participants were asked whether they have any organisational code of conduct or ethical guidelines in their organisations. Many answered that they have various guidelines. An accountant from a business organisation (BF1), stated that her company “established rules and procedures.” In addition to rules and procedures, several participants mentioned that their companies have core values. For example, according to BM4, three pillars of his company are “professionalism, commitment, and simplicity.” He further indicated that his company introduced “an employee handbook, code of ethics, and internet policies” to guide employees, and also “[they] have a tight hiring process and interview process.” Most of the Sri Lankan accounting firms, businesses, and government organisations have written, ethical guidelines.

8.2.2 The role of organisational culture in ethical decision-making

The ethical culture in an organisation can be considered as a part of organisational culture (Treviño, 1986). Irrespective of their work organisation, all the interviewees emphasised the importance of the ethical culture of an organisation. For example, one accountant working at a business organisation (BM4) stated:

no matter how much you [are] qualified and [if] you have a strong religious background, if the company does not support you, you are dissatisfied. As a professional, it is a privilege to work at a company with a good ethical climate.

As one partner from an accounting firm (AM9) argued, “No amount of rules and regulations will ultimately result in the ethical behaviour unless the right

environment is created.” Here, it is implied that ethical culture is more important than rules and regulations in an organisation.

A partner from an accounting firm (AM9) referred to the ethical culture as the “tone at the top.” Expanding on this idea, he mentioned:

Basically, at the top itself, we have to practise the right behaviour, which sends the message down the system to say that incorrect behaviour will not be tolerated. If we start breaking the rules (at the top), showing ways of breaking the rules, you seriously don’t expect the bottom to follow the rules as the rules are meant to be. So, it is the behavioural thing. I believe the tone at the top is vital, not the rules.

BM13, an accountant from a business organisation shared a similar view:

Culture has a major impact. It starts with the tone at the top, the board of directors. Our company, we have practices which a listed company has, for example, the audit committee, with all the processes of governance. We are a private company, why should we have all that? This company was built by an entrepreneur. But I would say the success is partly because of ethical entrepreneurial leadership and that leadership always thinks of the importance of ethics. That has a major impact because organisation culture is first shaped by the governance, the board of directors and then gradually that message is passed down to the next stage.

Likewise, many accountants from accounting firms and business organisations alike pointed out the importance of the tone at the top, which represents a part of the ethical culture of an organisation. As argued by these accountants, having an ethical tone at the top helps to reduce the unethical behaviour of subordinates. This finding is consistent with prior studies that reported that unethical tone at the top has a significant impact on ethical evaluation (Douglas et al., 2001; Sweeney et al., 2010).

In addition to the tone at the top, influences from both superiors and peers may have an impact on the ethical decisions of accountants. Accordingly, BM12 discussed the pressures as follows:

Sometimes the organisation he or she works [for] may impact in a certain way. If the organisation is pressurising for ethical behaviour and [has] very clear-

cut standards, then that culture is automatically transferred to the employees as well. Colleagues, peers and also more so of the top.

The majority of the interviewees mentioned that they have been faced with numerous ethical situations in their work lives, but most were hesitant to describe those dilemmas. A very few did, however, share their experiences of being pressured by superiors (BF1, BM12, BF6, and BM5) and of peer pressure (BM2). The following extracts provide some examples:

There were several occasions such as not to disclose or not to send some emails etc. We are a subsidiary company and we have had some influences from the head office. For example, favouritism in hiring, etc. (BF1)

I can't say that I have been influenced into unethical work but I have been influenced to do certain work practices, which is basically flirting on the lines between ethical or unethical conduct. (BM12)

When I was working as a credit rating analyst, my boss, who is a person [who] has all sorts of qualifications, once told me, "look here, we are getting paid and we have to give what is expected by the client. So, try your best to give a better report." So, there were instances like that, but I had [a] thousand odd arguments with my boss and he couldn't manipulate me. Anyway, things like that need to be addressed at a much higher level. (BF6)

Yes, even sometimes before publishing a report we need to show it to the management first. They don't really like to show a bad picture of the company, only the good picture they want to show. (BM5)

Sometimes, if we find differences in reconciliations where my peers advised me to hide. (BM2)

Pressures to obey superiors are obedience pressures, while peer pressures are compliance pressures (DeZoort & Lord, 1997) and the interviewees identified both these pressures. This finding is consistent with Sweeney et al. (2010) who found that both pressures from superiors and peers influence auditors' dysfunctional behaviour.

Two participants working at business organisations shared their experiences of how they have dealt with pressures from superiors in their organisations. For example, BM7 commented that he is always proactive. He said that when he realises that

something is going to happen, he takes all sorts of preventative actions to avoid the issue. Another accountant (BM10) explained one of his prior experiences as follows:

once I was working at my previous place for a very short period of time and I figured things that were wrong. I told my GM [General Manager], if you do this, I'm leaving. Before my confirmation, I said 'I'm leaving,' and I left.

While tone at the top and avoidance of pressure to follow unethical actions play a major role within an organisation, several participants identified how rewards and punishments help people to act ethically in their organisations. Several participants shared their ideas on the severity of rewards and punishments. BM3 named one of the punishments:

You will be sacked. Probably, if it is a small kind of a thing, without knowing or anything you might be excused, then there is no penalty. You will be warned, and if it is a serious thing you will be sacked.

According to BM14, "penalties include giving warning letters, to demotions, withholding increments and termination etc." Similar views were shared by one audit partner (AM 10), who said:

In our firm, if anyone violates ethical conduct then you are sacked. If they don't do their work then we give them a chance to do it again but when it comes to ethical conduct, we have zero tolerance Those things we take very seriously. That is a guide for the employees from top to bottom.

On the other hand, participant BM2 mentioned: "We have a system called rewards for excellence. If you work beyond your job, you will be rewarded." All these examples showed that there should be some sort of encouragement, by way of a system of rewards, for behaving ethically. On the other hand, organisations also should punish wrongdoers in order to encourage other employees who are otherwise discouraged.

Indeed, the above discussion established that, in the workplace, culture including organisational codes of conduct often influences accountants' decisions in much the same way as their own individual values do. The findings also revealed that organisational culture is important both for good and for bad. This appears to

underline the relatively pragmatic nature of accountants when judging ethically challenging situations.

8.3 Accountants' Perception of the Role of Professional Factors that Influence the Ethical Decision-making of Accountants in Sri Lanka

Research question five sought to examine the role of professional codes of ethics in the decision-making of this study's participants. Interviewees were asked to explain this role, and whether codes of ethics established by professional accounting bodies are adequate to guide accountants in Sri Lanka.

8.3.1 The role of professional codes of ethics issued by professional accounting bodies in ethical decision-making

All the interviewees are members of one or more professional accounting body. Since all the professional accounting bodies in Sri Lanka have established their codes on the IFAC codes of ethics, all the interviewees were subject to the same ethical principles. As discussed in chapter 7, the accountants showed a high level of knowledge regarding the principles in the codes of ethics in analysing their responses to the video vignettes.

With regard to the principles in the professional codes of ethics, the majority of the interviewees claimed that these codes are adequate to guide accountants to act ethically. For example, a CA member, GM11, stated: "It [the code] helps to make our decisions, for example, gifts, falsifying accounts, giving bribery and so on." Although many participants confirmed that the content of the code of ethics is satisfactory, they pointed out that there could be various issues in the Sri Lankan context. For example, AM10 (CA and CIMA member) claimed that, although: "I think it is adequate. Unfortunately, what happens is most of our people, once they get the membership, they think that this is required only for the studies and not required to be in practice." A similar argument was provided by AM8 who had CA and CMA memberships: "it should be more than enough because we adopt the IFAC code of conduct. We cannot go beyond that. But the problem is accountants are not following it." As one of the reasons for not following the code, a CA member, BM2, stated that "it is a huge document. I only have a general knowledge of the

principles. I think awareness level is very low. As professionals, we have very little time to read it.” BM13 (CA and ACCA) shared a similar view:

I think, more than the inadequacy of the code, the understanding of the existing provisions is lacking. Of course, I can give you an answer to say the code of ethics is not adequate and you have to bring [in] more provisions. Definitely, there will be areas which are not covered. But beyond that, the current code addresses most of the issues. But what is lacking is these have not really been communicated and they have been limited to a book.

Another issue is the execution of the codes by professional accounting bodies in practice in Sri Lanka. In this regard, one accountant (GM2) who had CA, ACCA, and CMA membership gave the following opinions.

It may be adequate to the extent for the framework, but it may not be adequate for the extent of execution, how you govern the behaviour. We don't have adequate tools to govern the behaviour How many cases are you hearing ... Now in today's world, when you go higher, you become powerful, you use your contacts to safeguard yourself. In that case, professional accounting bodies should have to be firm enough to execute their authority, because they are holding the memberships because members don't like to lose their membership and have to have their dignity. That is where the problem is ... I don't think the profession is strong enough to execute that part. There is a vacuum.

Perhaps with reference to this point, participants also reflected upon the need for persistent mechanisms to ensure that members follow those codes. Explaining this situation, AM7 mentioned that “the implementation is not enough. You have the document but you must have the mechanism to ensure that your members are following.” Another accountant who holds multiple memberships, BM3, was adamant that rules would simply be ignored in reality. He firmly reported as follows:

The professional codes of ethics have no issues but the problem lies with professional bodies. I have never seen any professional body [in Sri Lanka] cancelling any membership, or putting penalties or fines for unethical behaviours. If there is something like that, then there is a fear automatically creates to you that one might lose the membership.

Similarly, GM12 suggested that:

Some part of ethical issues can be transferred to legislation and the other part should be on a voluntary basis. If we can move a reasonable part of it to be made legal then there may be punishments imposed. For some ethical issues, there are no punishments.

The above discussion suggests that professional codes of ethics provided only minimum functions, including guiding and promoting the ethical behaviour of accountants (Modarres & Rafiee, 2011; Pflugrath et al., 2007). However, it was revealed that the role of the professional code of ethics should not be limited to a document, as many professional accountants from various accounting bodies claimed that the mere adoption of an international code of professional ethics does not guarantee its usefulness to accounting practitioners or accountants in other sectors.

8.4 Accountants' Perceptions on the Role of Moral Intensity in Ethical Decision-making of Accountants in Sri Lanka

Research question six probed the role of moral intensity in the ethical decision-making of Sri Lankan accountants. As Jones (1991) argued, moral intensity captures the issue-related moral imperative of a situation. During the interviews, participants were asked to explain the nature of ethical dilemmas that can impact their ethical decision-making. In addition, the participants explained how and why they would respond if they were confronted with each of the study's four video vignettes.

The participants' reasoning suggests that the magnitude of the consequences is the most important dimension Sri Lankan accountants considered this element when evaluating all four ethical video vignettes. In particular, most of the participants explained the importance of the magnitude of the consequences of the actions. As BF6 put it: "when making a decision I always consider the consequences." Expanding this view further, BM15 indicated:

... the consequences – that is more important in any angle and anything you do. Maybe people are getting into situations where the consequences may not

be seen, or visualised or because you are not faced with this sort of risks, the risk is such you don't see it. But if you can, as far as the moment, if you can think of the consequence I think the things could be avoided.

When assessing consequences, several other accountants highlighted the importance of predicting long-term consequences. For example, GM2 stated that “you need to figure out what are the long-term consequences and not the short-term consequences. You may have short-term benefits at the cost of long-term consequences.” BM4 mentioned that he looks at “consequences to myself, to the organisation, and to others.” When identifying consequences, the accountants evaluated the harms or benefits to victims or beneficiaries of the im/moral act. Elaborating on this view, AF6 claimed that he considered “the benefits that are offered and then what is the harm to the company, and to other parties.” In that context, one partner in an accounting firm (AM7) stated: “I don't take any decision that will be harmful to the partnership and where the others are going to get affected.”

Interestingly, several participants explained this issue from a religious standpoint. For example, one Buddhist participant (BF1) stated that “we have to think about the affected parties and consequences to others. I am a Buddhist, believing about karma and vipaka. If management wants me to do any illegal thing, I can also leave the company also.” In addition, another Christian accountant (BM10) said that “If you harm people it will come back to you sooner or later. As a Catholic, I believe that as long as you are not doing any harm to anybody then it is okay.” It seems that the application of religious perspectives would be different from one situation to another, depending on the issue. This study's finding that the magnitude of consequences is perceived as highly important is consistent with those of many prior studies (Alleyne et al., 2006; Barnett & Valentine, 2004; Leitsch, 2006; McMahan & Harvey, 2007; Musbah et al., 2014; Sweeney & Costello, 2009).

Several participants (GF4, GF5, GM9, BM5, and AM2) stated that they consider the societal agreement regarding the desirability of a particular action. For example, AM2 stated that “In our context, we have to think about the societal perceptions.” In making ethical decisions, participants believe that the societal perceptions about a proposed action are likely to impact the ethical decision-making process. BM5 claimed that “if some kind of violation has happened, the business society will

recognise me as an unethical person.” In addition, another participant (GM9) said that “You need to think about how others in the society think about your action.” This finding is also consistent with prior research that found societal agreement seems to be the most robust of the moral intensity components (Barnett & Valentine, 2004; McMahon & Harvey, 2007; Musbah et al., 2014)

8.5 Summary

The present chapter discussed the four research questions of the current study, by drawing from the findings of the interviews. The participants’ responses to these four research questions provided information on the roles played by different factors in ethical decision-making, including individual, organisational, professional, and moral intensity factors.

Accordingly, the role of individual factors such as gender, age, education, work experience, religion, and religiosity was explained. With regard to the role that individual factors (with the exception of work experience) play in the ethical decision-making, mixed results were found. However, all the participants argued that work experience matters in making ethical decisions in the workplace. In addition, several weaknesses in the education system in Sri Lanka were discussed during the interviews. The study revealed the significant role that religion plays in accountants’ ethical decision-making; however, religiosity among people, in general, was debatable. The findings show lack of intrinsic religiosity among people in Sri Lanka.

As organisational factors, the roles that corporate codes and culture within organisations play in ethical decision-making were discussed. Accountants perceived the importance of the tone at the top, which represents a part of the ethical culture of an organisation. Further, unethical pressures, including influences from both superiors and peers, appear to have an impact on the ethical decisions of accountants.

Next, the findings on the role of professional codes of ethics in ethical decision-making were discussed. It was found that the content of the professional codes of

ethics issued by Sri Lankan accountants seemed to be adequate to guide accountants; however, several issues with the implementation of codes were identified in the Sri Lankan context.

The role of moral intensity factors was explained next. Importantly, the magnitude of consequences and social consensus were identified as the most robust moral intensity dimensions when assessing the role of the nature of an ethical dilemma in this study. Interestingly, religious perspectives were also used to evaluate consequences in ethical situations by the Sri Lankan participants.

Having discussed the interview findings on the role of the factors that influence the ethical decision-making process (RQ3-RQ6), the next chapter will discuss the questionnaire findings. Accordingly, it will examine the impacts of the factors that were considered in this chapter on the ethical decision-making process using quantitative measures; thus, chapter 9 answers the same four research questions (RQ3-RQ6).

Chapter 9

Questionnaire Data Analysis Findings

9.0 Introduction

While chapters 7 and 8 discussed the interview findings, this chapter provides the analysis of questionnaire data collected during the fieldwork undertaken for this thesis through a questionnaire survey. The development of the questionnaire instrument, the variables included, and the preliminary data analysis were explained in chapter 6 and in so doing help in understanding the empirical results of the study presented in this chapter. In order to provide a better understanding of the questionnaire findings, this chapter provides the empirical data analysis results, followed by answers to four of the study's research questions.

The chapter commences with a brief overview of the demographic data on the survey respondents and descriptive statistics. The second section provides inferential statistics with regard to analysis of categorical data and PLS-SEM results, by providing measurement and structural models for each vignette of the study. Section 9.3 of the chapter then explains the findings associated with four of the research questions posed by the thesis. Accordingly, this section presents the findings associated with research questions three to six, namely to determine the individual, organisational, professional, and moral intensity factors that may be influencing the ethical decision-making of Sri Lankan accountants. Finally, the chapter concludes with a summary.

9.1 Empirical Data Analysis Results

This section of the chapter outlines the demographic profile of the sample, descriptive statistics, and data analysis results. Descriptive statistics are presented for dependent variables and moral intensity measures in order to gain a better understanding of the nature of the data. The later sections discuss the statistical data analysis.

9.1.1 Demographic data of the questionnaire respondents

The demographic data used in the analysis were obtained from responses to section 1 of the questionnaire instrument. Accountants in the sample were asked to provide personal information related to their gender, age group, highest academic qualification, professional qualification(s), and religion. Table 30 depicts the demographic data of the respondents in the final sample.

The majority of respondents were female (175); only 140 accountants were male. Although, traditionally, accounting has been a male-dominated profession, it seems that during recent years there has been an increase in the number of women within the accounting profession in Sri Lanka. The majority of the respondents were in the 21–40 age group, including 132 from the 21–30 age group, and 149 from the 31–40 age group.

Table 30. Demographic data of respondents ($N = 315$)

Demographic Factors	Frequency	Percentage (%)	Demographic Factors	Frequency	Percentage (%)
Gender			Highest academic qualifications		
Male	140	44	Postgraduate degree	78	25
Female	175	56	Undergraduate degree	152	48
Age group			Advanced Diploma/ Diploma degree	14	4
21–30 years	132	42	High school qualification	71	23
31–40 years	149	47			
41–50 years	29	9			
51–60 years	5	2			
Religion			Professional accounting qualifications		
Buddhism	238	76	Only CASL	168	53
Christianity	51	16	Only CIMA	66	21
Hinduism	11	3	Only ACCA	7	2
Islam	13	4	Only CMA	9	3
I do not practise any religion	2	1	Multiple qualifications	65	21

Source: Author

With regard to their qualifications, 152 respondents indicated that they have achieved an undergraduate degree as their highest academic qualification, while 71

accountants in the sample have completed only a high school qualification. Another 78 respondents indicated that they had obtained a postgraduate degree. The majority of respondents, 168, were members of CASL, while 66 were members from CIMA. Sixty-five of the accountants hold multiple professional qualifications covering a combination of memberships of CASL, CIMA, ACCA or CMA.

The religious breakdown of the respondents in the sample reflects the traditional Buddhist majority in Sri Lanka. As shown in Table 30, 238 respondents were Buddhists, and the remaining 75 were from other religions; the sample included 51 Christians, 13 Muslims, and 11 Hindus.

Information was gathered on the work-related distribution of the sample. As Table 31 shows, the sample consisted of 146 respondents from business organisations, while 97 and 72 respondents came from accounting firms and government organisations respectively.

Table 31. Work-related distribution data of respondents ($N = 315$)

Work-related factors	Frequency	Percentage (%)	Work-related factors	Frequency	Percentage (%)
Type of Organisation			Years of work experience		
Accounting	97	31	Less than 5	69	22
Business	146	46	5–10	141	45
Government	72	23	11–15	62	20
Level of management			16–20	27	8
Top/Senior management	39	12	More than 20	16	5
Middle management	166	53			
Junior management	97	31			
Entry level	13	4			

Source: Author

While 166 accountants in the sample work at the middle management level, 97 and 39 respondents work at the junior management and senior management levels respectively. The survey also shows that 203 respondents had 5 to 15 years' experience; however, the majority (141) had 5 to 10 years' work experience. Another 69 respondents had less than 5 years' work experience. In addition, 43

accountants had more than 15 years' experience, including 27 within the 16-20 years' experience bracket; 16 accountants had more than 20 years' experience.

Since the subject matter of this thesis involved the exploration of factors that influence ethical decision-making processes, the impact of these demographics on those processes was examined. Thus, section 9.3 of this chapter provides further explanation of how these demographics contributed to answering the research questions.

9.1.2 Descriptive data analysis

Field (2013) explains that descriptive statistics show a meaningful summary of data for analysis. With regard to the dependent variables of the study, descriptive statistics were used to explain the degree to which the respondents recognised the ethical content embedded within the vignettes. Prior ethics research indicates that steps in ethical decision-making are situation-specific; thus, the awareness, judgement, and intention scores for each of the vignettes should differ. In addition, descriptive statistics and frequency distributions of moral intensity measures were shown for each of the four vignettes, in order to verify whether the accountants perceived the vignettes as being morally intense.

Descriptive statistics: Dependent variables

The mean scores for the dependent variables indicate that, on average, Sri Lankan professional accountants recognised the ethical issue presented in each vignette, judged it as unethical, and had limited intention of behaving unethically across various factors. Table 32 provides an overview of the descriptive statistics including the means and standard deviations of three dependent variables—ethical awareness, judgement, and intention—for the four vignettes.

As shown in Table 32, on average, the mean ethical awareness ranged between 3.78 and 3.94 across the four vignettes using a 5-point Likert-type scale, suggesting that Sri Lankan accountants readily recognise issues as unethical. Many prior researchers have argued that awareness scores for each of the scenarios should differ due to various degrees of ethical sensitivity. For example, a study by Barnett

and Valentine (2004) reported a mean ethical sensitivity score of 5.96 for their scenario number one and 5.70 for scenario two on a 7-point Likert-type scale.

Table 32. Descriptive statistics of the dependent variables: Mean (M) and standard deviation (SD)

Dependent variables	Vignette 1		Vignette 2		Vignette 3		Vignette 4	
	M	SD	M	SD	M	SD	M	SD
Ethical awareness	3.78	0.919	3.91	0.960	3.87	1.029	3.94	0.979
Ethical judgement	3.44	1.051	3.95	0.859	4.03	0.867	3.83	0.987
Ethical intention	3.54	1.077	3.73	1.010	4.02	0.941	3.88	0.942

Source: Author

The responses' mean for ethical judgement ranged from 3.44 to 4.03 across the four vignettes in the study. In this case, higher scores represented greater ethical judgements made by accountants. Likewise, Barnett and Valentine (2004), utilising a 7-point Likert-type scale, found an ethical judgement score of 5.84 and 5.88 for scenario one and two respectively in their study.

To measure ethical intention, accountants were asked whether they would be likely to engage in the same action as that represented in each vignette. Higher scores on this scale reflected a greater likelihood of engaging in a similar action. The study responses yielded mean ethical intention scores from 3.54 to 4.02. Since the mean scores of ethical awareness, judgement, and intention were more than 3 for almost all the vignettes, it can be argued that the accountants' decisions were ethical.

Overall, the accountants recognised the ethical content within the four vignettes, made ethical judgements, and intended to act ethically. Therefore, the measurements used for dependent variables—three stages of Rest's (1986) ethical decision-making process—were empirically validated.

Descriptive statistics: Moral intensity measures

As described in chapter 6, the moral intensity measures suggested by Jones (1991) are one of the key independent variables in this study; the three components chosen for the purpose of the study were: magnitude of consequences; social consensus; and, temporal immediacy. This section includes a table depicting the descriptive statistics based on the survey responses on three moral intensity statements (Table 33) and a table showing the frequency distribution of moral intensity responses (Table 34).

Table 33. Moral intensity: Mean and *SD* (standard deviation)

Moral intensity	Vignette 1		Vignette 2		Vignette 3		Vignette 4	
	Mean	<i>SD</i>	Mean	<i>SD</i>	Mean	<i>SD</i>	Mean	<i>SD</i>
Magnitude of consequences	3.18	1.086	3.62	1.020	3.83	1.033	3.72	0.974
Social consensus	3.51	0.969	3.69	1.065	3.80	1.029	3.71	1.132
Temporal immediacy	3.51	1.054	3.72	0.993	3.76	1.057	3.92	0.945

Table 34. Moral intensity: Frequency Distribution

Independent variables	Low (1.0-2.0)	Moderate (2.0-3.0)	High (3.0-5.0)
Vignette 1			
Magnitude of consequences	36.5%	17.5%	46.0%
Social consensus	19.7%	19.4%	61.9%
Temporal immediacy	14.0%	11.7%	74.3%
Vignette 2			
Magnitude of consequences	19.4%	16.5%	65.1%
Social consensus	15.9%	13.3%	70.8%
Temporal immediacy	15.9%	15.6%	69.6%
Vignette 3			
Magnitude of consequences	14.0%	11.7%	74.3%
Social consensus	12.4%	12.4%	75.2%
Temporal immediacy	17.1%	11.4%	71.4%
Vignette 4			
Magnitude of consequences	14.9%	14.0%	71.1%
Social consensus	17.1%	10.8%	72.1%
Temporal immediacy	10.8%	10.5%	79.7%

Source: Author

As depicted in Table 33, higher mean scores indicated a greater perceived magnitude of consequences, a larger perceived societal consensus, and a greater perception that consequences would quickly follow the action (temporal immediacy). Table 34 shows frequencies of moral intensity responses that were computed by summing the responses and dividing them into low, moderate, and high categories for the purpose of this study. The low category included responses ranging from 1.0 to 2.0 on the 5-point Likert-type scale. The moderate category comprised responses in the 2.0 to 3.0 range on the 5-point Likert-type scale, while the high category included responses ranging from 3.0 to 5.0 on the scale. Since moral intensity was vignette-specific, the results indicated in these two tables relate separately to the four vignettes as follows.

Vignette 1: Accepting gifts

The moral intensity mean scores for the first vignette ranged from 3.18 to 3.51, which indicated a high level of intensity. The respondents perceived the social consensus and temporal immediacy as being the most intense, with a mean score of 3.51. As depicted in Table 34, 74% of the accountants agreed that the likelihood of the accountant's action causing harm were immediate (i.e., temporal immediacy), while 61% of the respondents perceived that social consensus surrounds the unethical issue of accepting gifts. In contrast, magnitude of consequences was perceived as slightly less intense (mean = 3.18). As a result, only 46% the accountants agreed that the potential harm from accepting gifts from a customer would be significant (i.e., magnitude of consequences).

Vignette 2: Adjusting financial information

The moral intensity mean scores for the second vignette ranged from 3.62 to 3.72, which showed a higher level of intensity than for the first vignette. For the second vignette, temporal immediacy received the highest mean score (mean = 3.72). Nearly 68% of the accountants agreed that the action of the accountant was likely to cause some harmful consequences in the immediate future. Social consensus had a mean value of 3.69 for the second vignette, with 70% of the accountants indicating that society as a whole would agree that stealing information is unethical. Similar to the first vignette, the magnitude of consequences was perceived as slightly less intense than other moral intensity measures (mean = 3.62). However, 65% of the

accountants indicated that the potential harm from adjusting financial information presented to stakeholders would be significant (i.e., magnitude of consequences).

Vignette 3: Stealing confidential information from a competitor

For the stealing confidential information from a competitor vignette, the moral intensity mean scores ranged from 3.76 to 3.83, which showed a higher level of intensity than for the first and the second vignettes. Also, the range for vignette three indicated high agreement among the accountants, when compared to the first two vignettes. In the preliminary analysis of this vignette, the magnitude of consequences had the highest mean score (mean = 3.83). As shown in Table 34, 74% of the accountants perceived that stealing information from a competitor would directly affect immediate stakeholders. Social consensus obtained the second highest mean score (mean = 3.80). Around 75% of the accountants perceived that there is social consensus around the unethical issue of stealing information. Likewise, over 71% agreed that the likelihood of the accountant's action causing harm were immediate (i.e., temporal immediacy). However, temporal immediacy was perceived as somewhat less intense (mean = 3.76) compared to the other two moral intensity components. Table 35 shows that 71% of the accountants stated that the action of the accountant is unlikely to cause harmful consequences in the future (i.e., temporal immediacy).

Vignette 4: Making extraordinary payments

As shown in Table 33, the moral intensity mean scores for the making extraordinary payments vignette were 3.71 to 3.92, which indicated a high level of intensity. However, the range for vignette four indicates less agreement among the accountants, when compared to that for the other three vignettes. Similar to the second vignette, temporal immediacy received the highest mean score (mean = 3.92), while magnitude of consequences received the second highest (mean = 3.72). As indicated in Table 34, 78% of the accountants perceived that the likelihood of the accountant's action causing harm were immediate (i.e., temporal immediacy). Seventy-one per cent of the accountants agreed that the potential harm from making extraordinary payments would be significant to stakeholders (i.e., magnitude of consequences). Approximately 72% of the accountants indicated that most people

would agree that making extraordinary payments is unethical, although the social consensus item had the lowest mean score of 3.71.

9.2 Data Analysis Results

As discussed in chapter 6, inferential statistics were used to answer four of the research questions—questions three to six. Accordingly, the impact of several independent factors on three dependent variables—awareness, judgment, and intention—on the four vignettes was examined. Since prior research indicates that steps in the ethical decision-making process are situation-specific, analysis was performed independently, and results were reported separately for the four vignettes.

9.2.1 Results of data analysis: Impact of categorical variables on ethical-decision-making processes

As explained in chapter 6, several parametric and nonparametric tests were used to examine whether there were any differences in ethical decision-making based on different categorical variables. In particular, this study adopted parametric testing of independent samples *t*-test (equivalent to the nonparametric Mann-Whitney *U* test) to examine whether gender and religion have an impact on the ethical decision-making process (see Table 35). Other categorical variables such as age, academic and professional qualifications, and several organisational variables were analysed using a parametric test of one-way independent samples ANOVA tests (equivalent to the nonparametric Kruskal-Wallis tests) (see Table 36). Accordingly, means, standard deviations, and inferential statistics were computed and shown in those tables. The inferential statistics shown in those tables were as follows: *t* (*t* statistics), *z* (Mann-Whitney *z* results), *F* (Anova results), chi-square (Kruskal-Wallis test results). The results depicted in these tables were used in section 9.3 in answering the study's research questions.

Table 35. *T*-tests results: Categorical individual variables and three stages of ethical decision-making process: Mean (standard deviation) and inferential statistics: *t* (*t* statistics) and *z* (Mann Whitney *z* statistics)

Variables & Vignettes	Ethical Awareness				Ethical Judgement				Ethical Intention			
	V1	V2	V3	V4	V1	V2	V3	V4	V1	V2	V3	V4
Gender												
Males	3.80 (0.9)	3.96 (0.9)	3.98 (0.9)	3.96 (0.9)	3.23 (1.1)	3.91(0.8)	3.98 (0.8)	3.71 (1.0)	3.42 (1.1)	3.68 (1.0)	4.03 (0.9)	3.80 (0.9)
Females	3.76 (0.8)	3.87 (0.9)	3.78 (1.0)	3.93 (1.0)	3.60 (0.9)	3.98 (0.8)	4.06 (0.8)	3.90 (0.9)	3.64 (1.0)	3.77 (0.9)	4.01 (0.9)	3.95 (0.9)
<i>t</i>	0.352	0.881	1.732*	0.344	-3.168**	-0.706	-0.857	-1.688*	-1.796*	-0.811	0.160	-1.393
<i>z</i>	-0.678	-1.062	-1.736*	-0.333	-3.048**	-0.985	-1.189	-1.638	-1.614	-0.310	-0.287	-1.243
Coverage of ethics courses in academic qualification												
Yes	3.72 (0.9)	3.91 (0.9)	3.87 (1.0)	3.97 (1.0)	3.38 (1.0)	3.93 (0.9)	4.00 (0.9)	3.85 (1.0)	3.52 (1.1)	3.70 (1.0)	4.02 (0.9)	3.90 (0.9)
No	3.88 (0.7)	3.91 (0.9)	3.86 (0.9)	3.90 (0.9)	3.53 (1.0)	3.98 (0.7)	4.07 (0.7)	3.76 (0.8)	3.58 (0.9)	3.79 (0.8)	4.03 (0.9)	3.85 (0.8)
<i>t</i>	-1.530	0.065	0.143	0.618	-1.298	-0.490	-0.671	0.783	-0.426	-0.788	-0.093	0.511
Z	-0.846	-0.451	-0.426	-1.066	-1.348	-0.161	-0.201	-1.445	-0.233	-0.209	-0.233	-0.888
Coverage of ethics courses in professional qualification												
Yes	3.80 (0.8)	3.93 (0.9)	3.87 (1.0)	3.98 (0.9)	3.42 (1.0)	3.94 (0.8)	4.01 (0.8)	3.84 (0.9)	3.52 (1.0)	3.74 (1.0)	3.99 (0.9)	3.87 (0.9)
No	3.55 (1.2)	3.69 (0.7)	3.79 (1.0)	3.62 (1.2)	3.59 (1.1)	4.07 (0.7)	4.17 (0.8)	3.66 (1.0)	3.79 (0.9)	3.62 (0.9)	4.28 (0.9)	4.03 (1.0)
<i>t</i>	1.411	1.302	0.404	1.849	-0.815	-0.769	-0.959	0.937	-1.315	0.612	-1.546	-0.911
<i>z</i>	-0.718	-2.042**	-0.418	-1.570	-0.846	-0.631	-1.041	-0.857	-1.194	-0.763	-1.795*	-1.177
Coverage of ethics training												
Yes	3.78 (0.9)	3.87 (1.1)	3.83 (1.1)	3.88 (1.1)	3.44 (1.0)	3.85 (0.9)	3.95 (0.9)	3.90 (1.0)	3.57 (1.1)	3.78 (1.0)	4.01 (0.8)	3.96 (0.9)
No	3.78 (0.8)	3.94 (0.8)	3.90 (0.9)	4.00 (0.8)	3.44 (1.0)	4.04 (0.7)	4.09 (0.8)	3.75 (0.9)	3.53 (1.0)	3.69 (0.9)	4.02 (0.9)	3.82 (0.9)
<i>t</i>	0.030	-0.619	-0.570	-1.087	0.005	-1.911*	-1.405	1.357	0.308	0.799	-0.099	1.318
<i>z</i>	-0.354	-0.233	-0.023	-0.183	-0.224	-1.823*	-1.305	-1.643	-0.423	-1.042	-0.850	-1.376
Religion												
Buddhism	3.76 (0.8)	3.84 (0.9)	3.87 (1.0)	3.89 (0.9)	3.49 (1.0)	3.91 (0.8)	3.99 (0.8)	3.80 (0.9)	3.56 (1.0)	3.68 (0.9)	3.99 (0.8)	3.80 (0.9)
Non-Buddhists	3.88 (0.9)	4.12 (0.8)	3.88 (1.0)	4.09 (0.9)	3.29 (1.1)	4.09 (0.8)	4.13 (0.8)	3.87 (1.0)	3.52 (1.1)	3.88 (1.0)	4.16 (1.0)	3.80 (1.0)
<i>t</i>	-0.993	-2.181**	-0.079	-1.549	1.382	-1.637	-1.235	-0.527	0.258	-1.475	-1.367	0.436
<i>z</i>	-1.318	-2.191**	-0.49	-1.821	-1.238	-1.690***	-1.298	-0.727	-0.194	-1.846**	-2.163**	-0.152

Note: Asterisks indicate significance at 10% (*), 5% (**), and 1% (***)

Table 36. ANOVA independent samples *t* tests: Categorical individual variables and three stages of the ethical decision-making process: Mean (standard deviation) and inferential statistics (*F* statistics and chi-square)

Variables & Vignettes	Ethical Awareness				Ethical Judgement				Ethical Intention			
	V1	V2	V3	V4	V1	V2	V3	V4	V1	V2	V3	V4
Age												
21–30 years	3.79 (0.8)	3.95 (0.9)	3.94 (0.9)	3.92 (1.0)	3.39 (0.9)	3.88 (0.9)	3.95 (1.0)	3.85 (1.0)	3.43 (1.0)	3.83 (1.0)	4.14 (0.9)	3.78 (0.9)
31–40 years	3.76 (0.8)	3.90 (0.9)	3.87 (1.0)	4.02 (0.8)	3.49 (1.0)	4.02 (0.7)	4.09 (0.7)	3.78 (0.9)	3.55 (1.0)	3.63 (0.9)	3.90 (0.9)	3.93 (0.8)
41 and above	3.96 (0.9)	4.15 (0.8)	3.62 (1.1)	3.71 (1.1)	3.41 (1.3)	3.94 (0.7)	4.06 (0.6)	3.88 (0.8)	4.00 (1.0)	3.79 (1.1)	4.15 (0.8)	4.09 (0.9)
<i>F</i>	0.667	0.400	1.323	1.470	0.304	0.948	0.957	0.268	3.835**	1.449	2.621*	1.792
Chi-square	2.229	0.486	2.872	2.261	0.816	0.524	0.90	0.965	9.232**	4.749***	6.193*	4.139
Academic qualifications												
Postgraduate	3.93 (0.9)	3.87 (1.1)	3.79 (1.1)	3.97 (1.0)	3.50 (1.2)	3.96 (0.8)	4.08 (0.8)	3.87 (1.1)	3.78 (1.1)	3.79 (0.9)	4.09 (0.9)	4.15 (0.8)
Undergraduate	3.3 (0.8)	3.86 (0.9)	3.85 (1.0)	3.83 (1.0)	3.46 (0.9)	3.95 (0.8)	4.00 (0.9)	3.79 (0.9)	3.44 (1.0)	3.70 (0.9)	4.03 (0.8)	3.74 (0.9)
Diploma and high school	3.79 (0.8)	4.04 (0.7)	3.99 (0.8)	4.12 (0.8)	3.36 (1.0)	3.94 (0.7)	4.02 (0.7)	3.82 (0.9)	3.54 (1.0)	3.74 (1.0)	3.99 (1.0)	3.90 (0.8)
<i>F</i>	1.312	0.979	0.794	2.402*	0.408	0.013	0.202	0.183	2.679*	0.218	0.246	5.226***
Chi-square	3.702	1.263	0.795	4.514	1.474	0.215	0.568	1.738	6.767**	0.468	0.381	11.485***
Professional qualifications												
CASL	3.70 (0.9)	3.91 (0.9)	3.86 (0.9)	3.87 (0.9)	3.49 (1.0)	3.96 (0.8)	4.01 (0.8)	3.78 (0.9)	3.49 (1.0)	3.72 (0.9)	3.91 (0.9)	3.75 (0.9)
Others (CIMA, ACCA or CMA)	3.91 (0.9)	4.18 (0.8)	3.95 (1.0)	4.18 (0.9)	3.26 (1.0)	3.85 (0.9)	4.00 (0.9)	3.88 (1.1)	3.44 (1.1)	3.60 (1.0)	4.18 (0.8)	3.95 (0.9)
Multiple qualifications	3.89 (0.7)	4.15 (0.8)	3.80 (1.1)	3.83 (1.1)	3.54 (1.0)	4.06 (0.7)	4.09 (0.7)	3.83 (0.9)	3.83 (0.9)	3.94 (0.9)	4.15 (0.8)	4.15 (0.7)
<i>F</i>	2.125	0.117	0.409	3.346**	1.776	1.070	0.248	0.257	2.907*	2.113	3.118*	4.725***
Chi-square	4.645*	0.678	1.282	8.575**	3.188	1.072	0.189	1.971	5.540*	4.455	6.231**	9.917**
Impact of family background												
Moderately	3.77 (0.9)	3.96 (0.9)	3.99 (0.9)	4.14 (0.8)	3.47 (1.0)	3.95 (0.8)	4.04 (0.8)	3.73 (1.0)	3.52 (1.1)	3.81 (0.9)	4.11 (0.8)	3.84 (0.9)
To a greater extent	3.72 (0.9)	3.90 (0.8)	3.85 (1.0)	3.86 (1.0)	3.40 (1.0)	3.95 (0.8)	4.02 (0.8)	3.84 (1.0)	3.48 (1.0)	3.78 (0.9)	3.95 (0.9)	3.88 (0.9)
Absolutely	3.99 (0.8)	3.88 (1.1)	3.82 (1.1)	3.93 (0.9)	3.50 (1.0)	3.96 (0.8)	4.03 (0.8)	3.86 (0.8)	3.72 (1.0)	3.57 (1.1)	4.13 (0.8)	3.95 (0.9)
<i>F</i>	2.407*	0.132	0.607	1.989	0.250	0.006	0.017	0.412	1.350	1.434	1.312	0.269
Chi-square	5.569*	0.935	0.801	4.397	0.691	0.075	0.004	1.363	3.201	1.729	1.618	0.587

Note: Asterisks indicate significance at 10% (*), 5% (**), and 1% (***).

Table 37. ANOVA independent samples *t* tests: Categorical organisational variables and three stages of the ethical decision-making process: Mean (standard deviation) and inferential statistics (*F* statistics and chi-square)

Variables & Vignettes	Ethical Awareness				Ethical Judgement				Ethical Intention			
	V1	V2	V3	V4	V1	V2	V3	V4	V1	V2	V3	V4
Type of organisation												
Accounting firm	3.73 (0.9)	3.75 (0.9)	3.73 (1.0)	3.81 (1.1)	3.41 (0.9)	3.85 (0.8)	3.92 (0.8)	3.76 (0.9)	3.46 (1.0)	3.72 (1.0)	3.85 (0.9)	3.79 (0.9)
Business organisation	3.88 (0.8)	3.97 (1.0)	3.93 (1.0)	3.98 (0.8)	3.40 (1.1)	4.01 (0.9)	4.03 (0.9)	3.76 (1.0)	3.64 (1.0)	3.69 (1.0)	4.21 (0.8)	3.77 (0.9)
Government organisation	3.71 (0.9)	4.01 (0.8)	3.94 (1.0)	4.04 (1.0)	3.57 (0.9)	3.97 (0.7)	4.17 (0.6)	4.01 (0.8)	3.49 (1.1)	3.85 (0.9)	3.90 (1.0)	4.24 (0.8)
<i>F</i>	1.281	2.045	1.376	1.305	0.706	0.953	1.729	1.838	0.912	0.596	5.355**	6.718***
Chi-square	2.127	6.794**	3.922	2.311	1.094	3.090	3.101	2.819	2.067	1.062	10.245**	15.583***
Level of management												
Top/ senior	3.94 (1.0)	3.87 (1.1)	3.68 (1.2)	3.79 (1.2)	3.47 (1.2)	4.00 (0.8)	4.18 (0.6)	3.79 (0.9)	4.08 (0.9)	3.79 (1.1)	4.16 (0.8)	4.29 (0.7)
Middle	3.72 (0.8)	3.91 (0.9)	3.88 (1.0)	3.90 (1.0)	3.43 (0.9)	4.03 (0.7)	4.09 (0.7)	3.83 (0.9)	3.46 (1.0)	3.81 (0.9)	3.99 (0.9)	3.91 (0.8)
Junior	3.86 (0.8)	3.93 (0.9)	3.93 (0.9)	4.06 (0.8)	3.45 (1.0)	3.82 (1.0)	3.87 (1.0)	3.82 (1.0)	3.50 (1.1)	3.61 (1.0)	4.06 (0.9)	3.71 (1.0)
<i>F</i>	1.412	0.52	0.788	1.447	0.035	2.116	2.862*	0.020	5.445**	1.385	0.567	5.663**
Chi-square	6.270**	0.082	0.934	2.109	0.327	1.413	3.206*	0.096	11.437**	2.084	1.614	10.444**
Work experience (years)												
Less than 5	3.77 (0.9)	3.75 (0.9)	3.78 (1.0)	3.94 (1.0)	3.39 (1.0)	3.74 (0.9)	3.77 (1.0)	3.81 (1.0)	3.46 (1.1)	3.84 (0.9)	4.12 (0.8)	3.75 (1.0)
5–10 years	3.79 (0.8)	3.92 (0.9)	3.90 (1.0)	4.04 (0.9)	3.43 (0.9)	4.00 (0.8)	4.07 (0.8)	3.81 (1.0)	3.43 (1.0)	3.70 (1.0)	3.93 (1.0)	3.85 (0.9)
11–15 years	3.70 (0.9)	4.16 (0.8)	4.11 (0.8)	3.97 (0.7)	3.36 (1.0)	4.11 (0.6)	4.16 (0.6)	3.82 (0.9)	3.51 (1.0)	3.66 (0.8)	4.13 (0.8)	3.97 (0.9)
15 years and above	3.99 (0.9)	3.77 (1.1)	3.58 (1.2)	3.60 (1.2)	3.67 (1.2)	3.91 (0.8)	4.09 (0.6)	3.84 (0.9)	4.14 (0.9)	3.79 (1.0)	4.09 (0.8)	4.09 (0.8)
<i>F</i>	0.909	2.387*	2.515*	2.110*	0.887	2.357*	2.820**	0.007	5.281***	0.476	1.059	1.366
Chi-square	5.423	7.415*	6.844*	5.138	4.821	5.216	5.466	0.165	18.055***	2.398	1.730	3.796

Note: Asterisks indicate significance at 10% (*), 5% (**), and 1% (***).

Source: Author

9.2.2 Results of data analysis of scale variables on the ethical decision-making process

As explained in chapter 6, PLS path modelling was used for data analysis of scale variables due to the latent nature of the constructs used. The analysis was performed in two steps: via the measurement model and the structural model, as explained next.

PLS-SEM measurement model of the current study

The measurement model shows the relationships between constructs/latent variables and their corresponding indicator variables. Based on the relationship between variables, the measurement PLS model in this study is reflective, since indicators are caused by the same construct and they are correlated (Hair et al., 2017). Such indicators in a reflective model can be highly correlated with each other; thus, individual items can be interchangeable, and any single item can generally be left out without changing the meaning of the construct, as long as the construct has sufficient reliability (Hair et al., 2011).

Four measurement models were developed to represent the four vignettes of the study (see Appendices 10 to 13). Accordingly, model 1 represents the first vignette, hereafter, named V1 and so on (V1, V2, V3, and V4). The PLS-SEM measurement model estimates the weights and loadings for the indicators while trying to fit the entire model in an iterative fashion (Bagozzi & Yi, 1988). As explained in chapter 6, PLS-SEM measurement models have to be evaluated with regard to their internal consistency reliability, convergent validity, and discriminant validity (Hair et al., 2017).

Internal consistency reliability

As explained in chapter 6, two measures were used to confirm the internal reliability consistency of the constructs of the model: Cronbach's alpha and composite reliability. The results of these measures are shown in Table 38.

As reflected in Table 38, several constructs including ER and UP reported lower Cronbach's alpha values than the criteria of > 0.70 . For example, Cronbach's alpha

for the ER and UP constructs were 0.677 and 0.613 respectively. However, Hair et al. (2017) argue that the true internal consistency reliability of a measure “usually lies between Cronbach’s alpha (representing the lower bound) and the composite reliability (representing the upper bound)” (p. 112). Therefore, despite those lower Cronbach alpha values for ER and UP, internal reliability consistency was confirmed for all the constructs, as they have satisfactory composite reliability values greater than the criteria of > 0.70.

Table 38. Internal consistency reliability measures of the four models

Models	V1		V2		V3		V4	
PLS statistics	CA	CR	CA	CR	CA	CR	CA	CR
ER	0.677	0.781	0.677	0.795	0.677	0.796	0.677	0.786
IR	0.900	0.904	0.901	0.924	0.901	0.906	0.898	0.912
UTT	0.845	0.893	0.845	0.893	0.845	0.890	0.761	0.855
LTP	0.775	0.866	0.775	0.870	0.775	0.870	0.775	0.871
UP	0.613	0.753	0.613	0.793	0.613	0.794	0.613	0.782
PCE	0.821	0.866	0.828	0.872	0.828	0.874	0.828	0.874

(Note: CA refers to Cronbach’s alpha and CR refers to composite reliability)

Source: Author

Convergent validity

The convergent validity of constructs was examined by observing the convergent validity measures, i.e., AVE values (see Table 39) and the outer loadings of indicators (see Table 40) generated through SmartPLS.

Table 39. Convergent validity: Average variance extracted (AVE) values of the four models

Models	V1	V2	V3	V4
ER	0.491	0.501	0.512	0.508
IR	0.578	0.617	0.583	0.584
UTT	0.588	0.587	0.586	0.518
LTP	0.684	0.692	0.692	0.693
UP	0.517	0.562	0.563	0.548
PCE	0.522	0.538	0.539	0.539

Source: Author

Table 40. Outer loadings of indicators of measurement models

Questionnaire Items	Acronym	V1	V2	V3	V4
Extrinsic Religiosity (ER)					
a) How often do you visit Temple/Church/Mosque/Hindu Kovil/Any other place of worship?	ER1	0.861	0.853	0.656	0.756
b) How often do you attend religious services?	ER2	0.867	0.859	0.770	0.868
c)How often do you read Buddhist teachings/Bible/Koran/Geeta/Any other?	ER3	0.532	0.651	0.849	0.796
d) How often do you worship/pray?	ER4	0.433	0.396	0.509	0.272
Intrinsic Religiosity (IR)					
a) I enjoy reading about my religion.	IR1	0.222	0.221	0.269	0.313
b) My religious beliefs do not matter provided I am a good person (R).	IR2R	0.430	0.439	0.748	0.574
c) I try hard to live my life according to my religious beliefs.	IR3	0.961	0.974	0.890	0.940
d) Although I am religious, I don't let it affect my daily life.	IR4R	0.431	0.441	0.753	0.573
e) My whole approach to life is based on my religion.	IR5	0.962	0.975	0.889	0.912
f) Although I follow my religion, other things are more important.	IR6	0.975	0.953	0.863	0.916
g) My religious beliefs affect my decision-making at my workplace.	IR7	0.963	0.971	0.888	0.914
h) In a commercial environment, I am occasionally forced to compromise my religious beliefs (R).	IR8R	0.688	0.691	0.791	0.728
Organisational Ethical Culture (UTT, LTP, and UP)					
a) Colleagues at the following levels in my workplace have occasionally engaged in unethical decision-making.					
·Senior level	UTT1	0.850	0.856	0.827	0.800
·Middle management level	UTT2	0.956	0.957	0.947	0.913
·Junior management level	UTT3	0.914	0.913	0.929	0.848
·Entry level	UTT4	0.827	0.825	0.850	0.761
b) Unethical decision-making is acceptable if it results in:					
·Personal gain (rather than merely gain to firm).	LTP1	0.815	0.730	0.760	0.766
·Gain to the firm (rather than merely personal gain).	LTP2	0.863	0.894	0.887	0.901
·Wider societal benefits (rather than personal or gain to the firm).	LTP3	0.801	0.863	0.843	0.824
c) Occasionally it is necessary to compromise one's work ethics.	UP1	0.924	0.748	0.660	0.847
d) Unethical behaviour is not accepted at my workplace.	UTT5	0.932	0.932	0.923	0.902
e) I feel that ethics at my workplace is only "window-dressing".	UP2	0.558	0.712	0.796	0.635
f) Unethical behaviour is punished at my workplace.	UTT6R	0.243	0.236	0.229	0.033
g) Ethical behaviour is rewarded at my workplace	UTT7R	0.186	0.119	0.195	0.202
h) On some occasions, I have been pressured by colleagues in my workplace to put profitability ahead of the quality of the work or accept their decisions that are unethical in nature.	UP3	0.621	0.789	0.786	0.724
Familiarity with Professional Code of Ethics					
a) The Code acts to clarify what behaviour is expected of members of accounting bodies.	PCE1	0.830	0.820	0.846	0.818
b) The Code encourages members to confirm whether certain behaviour is acceptable.	PCE2	0.757	0.807	0.820	0.769
c) According to my understanding, the Code helps to prevent unethical professional behaviour.	PCE3	0.724	0.707	0.687	0.765
d) The Code spells out the consequences of unethical professional behaviour.	PCE4	0.570	0.592	0.512	0.543
e) I am familiar with ethical principles as set out in the Code.	PCE5	0.729	0.660	0.702	0.679
f) The Code helps me to prioritise the interests of the public, ahead of self-interest and interests of the other stakeholders.	PCE6	0.697	0.789	0.785	0.796

Source: Author

As reflected in those tables, the convergent validity of several constructs including UP, LTP, and PCE was confirmed with satisfactory AVE values and adequate outer loadings. However, the findings, as indicated in Table 39, revealed lower AVE values than the threshold of 0.5 for the ER construct for the first vignette ($AVE = 0.491 < 0.5$).

In addition, as depicted in Table 40, lower outer loadings which are less than 0.4 at a minimum level were reported for several indicators (ER4, IR1, UTT6, and UTT7). Therefore, a lack of convergent validity was reported in connection with those constructs, including ER, IR, and UTT. Hence, the following discussion focuses on how the reliability and validity issues of individual constructs were resolved so that these scales could be used for further analysis.

Two Religiosity Scales: Extrinsic Religiosity (ER) and Intrinsic Religiously (IR)

With regard to the ER construct, poor convergent validity was reported, as the AVE value is less than the threshold of 0.5 (i.e., it was 0.491 for V1 (see Table 39). Careful examination of the four indicators noted that ER4 reported lower outer loadings of 0.433, 0.396, 0.509, and 0.272 for the four vignettes respectively (see Table 40); thus, there was low convergent validity for that indicator. As explained in chapter 6, the extrinsic religiousness scale of this study was developed from two scales, those of Piedmont (2009) and Mazereeuw-van der Duijn Schouten et al. (2014) who conducted their studies originally among Christians. Therefore, neither of these scales has been validated within diverse religious groups like those found in Sri Lanka. Thus, lower reliability and poor structural validity can be expected when using this extrinsic religiosity scale in a country like Sri Lanka where Buddhists represent the majority, and where the minority religious groups are Christians, Hindus, and Muslims.

Additionally, as Hulland (1999) argued, a low convergent validity on the extrinsic religiosity scale shows a lack of nongeneralisability of items across contexts and/or settings. In such instances, Hair et al. (2017) recommended removing low outer loaded indicators; however, they advised researchers to “carefully examine the effects of item removal on the composite reliability, as well as on the content

validity of the construct” (p. 113). Following the suggestions of Hair et al. (2017), the ER4 indicator was removed from the final scale (see Table 41).

As depicted in Table 41, the impact of this removal improved and confirmed the reliability and convergent validity of the ER construct for use in further analysis. Mazereeuw-van der Duijn Schouten et al. (2014) reported 0.74 as the internal consistency of the extrinsic motivation.

Table 41. Reliability and validity of the ER construct after removing low outer loaded indicators

	Vignette 1	Vignette 2	Vignette 3	Vignette 4
Removing indicator (outer loading)	ER4 (0.433)	ER4 (0.396)	ER4 (0.509)	ER4 (0.272)
Effect of reliability and validity factors after removing indicator				
Composite reliability	0.781 ► 0.828	0.796 ► 0.838	0.795 ► 0.836	0.786 ► 0.849
AVE	0.578 ► 0.625	0.583 ► 0.638	0.617 ► 0.633	0.584 ► 0.653

Source: Author

The other religiosity construct, IR, reported a satisfactory internal consistency reliability (see Table 38) and convergent validity of AVE values (see Table 39) for all four vignettes. However, as depicted in Table 40, one indicator (IR1) showed lower outer loadings (all less than the minimum rule of thumb for outer loadings of 0.40) for all four vignettes. Therefore, convergent validity of the IR construct was not confirmed. One main reason for this low convergent validity is that the original IR scale developed by Mazereeuw-van der Duijn Schouten et al. (2014) has not been validated among Buddhist participants. Consequently, there can be issues such as lack of nongeneralisability of items across contexts (Hulland, 1999). Since lower outer loading can harm the final model, as suggested by Hair et al. (2017), it was decided to remove the IR1 statement from the IR construct. In particular, the responses of Sri Lankan accountants revealed that “I enjoy reading about my religion.” was irrelevant. As depicted in Table 42, the composite reliability and AVE values were improved for all four vignettes when IR1 was removed.

Table 42. Reliability and validity of the IR construct after removing low outer loaded indicators

	Vignette 1	Vignette 2	Vignette 3	Vignette 4
Removing indicator (outer loading)	IR1 (0.222)	IR1 (0.221)	IR1 (0.269)	IR1 (0.313)
Effect of reliability and validity factors after removing indicator				
Composite reliability	0.904 ► 0.936	0.906 ► 0.924	0.924 ► 0.955	0.912 ► 0.948
AVE	0.578 ► 0.693	0.583 ► 0.661	0.617 ► 0.753	0.584 ► 0.731

Source: Author

Three organisational ethical culture scales: Unethical tone at the top (UTT), lack of timely penalties (LTP) and unethical pressures (UP)

As explained in chapters 5 and 6, this study employed the organisational ethical culture scale developed by Sweeney et al. (2010), but with minor changes. The three subscales suggested in their study—unethical tone at the top (UTT), lack of timely penalties (LTP), and unethical pressures (UP)—were validated in this study in the context of Sri Lanka.

All three of the subscales confirmed internal consistency reliability with higher composite reliability measures and convergent validity with satisfactory AVE values (see Table 38 and 39). However, the UTT construct indicated a lack of convergent validity due to poor outer loadings for three indicators, UTT5, UTT6, and UTT7. Therefore, in order to improve the convergent validity of the UTT construct, it was decided to remove the two indicators which had the lowest outer loading (less than the minimum criterion of 0.4), UTT6 and UTT7, while keeping the other one. The reason for their removal was that these two statements (UTT6 and UTT7) were additions to the original organisational ethical culture scale developed by Sweeney et al. (2010). Thus, the removal of these two indicators does not harm the content validity of the original scale. In addition, those two statements have more or less the same meaning as UTT5. As Hair et al. (2017) argued, some indicators should be interchangeable, and any single item can generally be left out without changing the meaning of the construct, as long as the construct has sufficient reliability. The indicator UTT5 was retained despite its poor outer loading values, because removing it can harm the content validity of the original UTT scale

developed by Sweeney et al. (2010). Similarly, many social science researchers generally have reported weak indicator loadings and retained those in constructs (Johansson & Yip, 1994; Wong, 2013). As shown in Table 43, both the composite reliability and AVE values have been improved by the removal of UTT6 and UTT7.

Table 43. Reliability and validity of the organisational culture constructs after removing low outer loaded indicators

	Vignette 1	Vignette 2	Vignette 3	Vignette 4
Removing indicators (outer loading)	UTT6 (0.243) UTT7 (0.186)	UTT6 (0.236) UTT7 (0.119)	UTT6 (0.229) UTT7 (0.195)	UTT6 (0.033) UTT7 (0.202)
Effect to reliability and validity factors after removing indicator				
Composite reliability	0.893 ► 0.955	0.890 ► 0.955	0.893 ► 0.955	0.855 ► 0.954
AVE	0.588 ► 0.811	0.586 ► 0.811	0.587 ► 0.810	0.518 ► 0.805

Source: Author

Familiarity with professional codes of ethics issued by professional accounting bodies (PCE) scale

The next scale measured Sri Lankan accountants' familiarity with professional codes of ethics (PCE); this was a newly developed scale for this study in Sri Lanka. The findings indicated that internal reliability consistency (see Table 38) was assured for the PCE scale, and the convergent validity of the PCE construct (see Tables 39 and 40) was also confirmed. However, as depicted in Table 40, one indicator (PCE4) had lower values of outer loadings than the criterion of 0.7, but had more than the minimum criterion of 0.4. In that context, Hulland (1999) has claimed that "in practice, it is common to find that at least several measurement items in an estimated model have loadings below the 0.7 thresholds, particularly when new items or newly developed scales are employed" (p. 198). For example, Fornell, Lorange, and Roos (1990) reported that 18 indicators are less than 0.4, 6 are less than 0.5, and another 6 exceed the 0.7 thresholds of outer loadings in their PLS estimation model. When the final model was tested after removing that indicator, the final results did not differ. Hence, all the indicators were kept in the original scale of PCE which was used in further analysis.

As discussed above, once all the above issues with the convergent validity of several constructs had been fixed, each construct's establishment of composite reliability and AVE of the measurement models was observed. Appendices 18, 19, 20, and 21 show the figures that were generated by the SmartPLS-SEM software to confirm both the composite reliability and AVE values. All the bars in the figures are in green, thus, confirming that all criteria are satisfactory. If they were not, the bars would be red. Appendix 22 depicts the outer loadings of the final model.

Discriminant validity

Once the reliability and convergent validity of the reflective constructs had been successfully established, the next step was to assess the discriminant validity. As argued by Henseler et al. (2016), HTMT is considered to be the most reliable criterion to assess discriminant validity in PLS-SEM. For example, a value of HTMT above 0.90 indicates a lack of discriminant validity. Further, Nitzl (2016) suggested using HTMT as the criterion for the assessment of discriminant validity in future accounting studies. Appendices 14, 15, 16, and 17 show HTMT correlations that were well below 0.90 for all the constructs; discriminant validity has, therefore, been established between the study's constructs.

PLS-SEM structural model of the current study

Provided that the constructs of the measurement model are reliable and valid, the next step in the PLS-SEM evaluation process is the assessment of the structural model. Accordingly, four structural models were analysed for the four ethical vignettes (see Appendices 23 to 26).

Prior to the assessment of the structural model, collinearity between the predictor constructs has to be examined, as doing so is important (Sarstedt et al., 2014). Collinearity measures through tolerance values (quantifications of the severity of collinearity among indicators) and VIF value (1/tolerance). Each construct's tolerance values should be higher than 0.20 (VIF value lower than 5) (Hair et al., 2017).

As shown in Table 44, in this structural model, all the VIF values of all combinations of endogenous and corresponding exogenous constructs are below

the threshold of 5; thus, no collinearity issues were identified. Consequently, the structural model results are not negatively affected.

Table 44. Collinearity statistics (VIF): Inner VIF values

Models	V1			V2			V3			V4		
Endogenous variables	EA	EJ	EI	EA	EJ	EI	EA	EJ	EI	EA	EJ	EI
EJ		1.099			1.054			1.044			1.097	
EI			1.260			1.117			1.220			1.237
ER	1.072	1.072	1.089	1.061	1.070	1.067	1.043	1.052	1.044	1.051	1.073	1.052
IR	1.033	1.034	1.034	1.024	1.032	1.032	1.025	1.029	1.029	1.027	1.036	1.036
UTT	1.234	1.260	1.260	1.250	1.252	1.252	1.260	1.260	1.260	1.267	1.268	1.268
LTP	1.261	1.267	1.267	1.212	1.213	1.213	1.225	1.228	1.228	1.204	1.213	1.213
UP	1.386	1.395	1.395	1.498	1.576	1.576	1.456	1.548	1.548	1.432	1.518	1.518
PCE	1.097	1.131	1.131	1.114	1.132	1.132	1.073	1.084	1.084	1.136	1.138	1.138
MC	1.279	1.358	1.358	1.499	1.500	1.500	1.791	1.794	1.794	1.264	1.284	1.284
TI	1.179	1.192	1.192	1.589	1.592	1.592	1.788	1.805	1.805	1.344	1.378	1.378
SC	1.057	1.084	1.084	1.035	1.036	1.036	1.052	1.088	1.088	1.028	1.028	1.028

Source: Author

According to Hair et al. (2017), the assessment of the structural model is based on several criteria: path coefficients, coefficient of determination (R^2), and cross-validated redundancy (Q^2). As depicted in Table 45, the first criterion was to assess path coefficients and the significance (standard values of path coefficients) of the structural model relationships. Path coefficients close to +1 represent strong positive relationships and vice versa for negative values that are usually statistically significant (Sarstedt et al., 2014). In assessing the path significance of the structural model, Ringle, Sarstedt, and Straub (2012)'s suggestion was followed. It involved using a resampling method—bootstrapping of 5,000 resamples and 315 cases per sample (in this study)—to provide the basis for confidence intervals allowing an estimation of factor stability. Hence, the bootstrapping procedure (sing changes = no sing changes; samples = 5000; cases 315) was run using Smart PLS software. Whether a coefficient is significant ultimately depends on its standard error that enables computing of the empirical t values and p values for all path coefficients. When t values are greater than the threshold value of 1.96, they are statistically significant. Tables 48 to 51 show the path coefficients for the four structural models

along with their t values. These coefficients were used in the later sections of the chapter to answer the research questions.

Table 45. Summary of statistics used in PLS-SEM to assess the structural model

Assessment	PLS statistic	Definitions from Hair et al. (2017)	Measurement criteria
Internal consistency reliability			
Structural model path coefficients	Critical t values	The process of testing whether a certain result has likely occurred by chance (Hair et al., 2017, p. 327)	$+1 > \text{path coefficients} \leq 1$
	P value	The probability of error for assuming that a path coefficient is significantly different from zero (Hair et al., 2017, p. 323)	
The level of R^2	Coefficient of determination (R^2 value)	A measure of the proportion of an endogenous construct's variance that is explained by its predictive constructs (Hair et al., 2017, p. 313)	Ranges from 0 to 1. 0.75 = substantial 0.50 = moderate 0.25 = weak
The predictive relevance	Q^2 value	A measure of a model's predictive power (Hair et al., 2017, p. 325)	$Q^2 > 0$

Source: Author

As shown in Table 45, the second criterion was the examination of a coefficient of determination (R^2 value) of the structural model that measures predictive accuracy, the central criterion for judging the quality of PLS-SEM. The findings on the R^2 of three dependent variables for the four models are depicted in Table 46. When the ethical awareness was considered, only 9% was described by all independent variables in the model. In that situation, the coefficient of determination (R^2) was weak for ethical awareness for the four vignettes, because the R^2 values were below the criterion of 0.25. In assessing ethical judgement, the highest R^2 value was 27.1% for the first model, which showed moderate accuracy. As indicated in Table 46, the highest predictive accuracy (R^2) of ethical intention was 52.8% for the second vignette. The idea was that the variance of ethical intention was explained by all the independent variables in the model. This means religiosity, organisational ethical culture, familiarity with ethical codes, and moral intensity dimensions moderately explain 52.8% of the variance in ethical judgement. Following the measurement criteria to assess the predictive relevance of the models, it can be argued that R^2 values were either moderate or weak.

Table 46. R^2 values of the four structural models

Endogenous variables	V1	V2	V3	V4
Ethical Awareness (EA)	0.090	0.051	0.042	0.088
Ethical Judgement (EJ)	0.271	0.154	0.207	0.254
Ethical Intention (EI)	0.498	0.528	0.389	0.333

Source: Author

When evaluating a structural model, it is not only path coefficients and R^2 values but also predictive relevance (measured by Q^2) that have to be assessed as an appropriate criterion for the prediction-oriented PLS-SEM (see Table 45 for explanation) (Sarstedt et al., 2014). In particular, Nitzl (2016) stated that “To test the predictive orientation of a measurement model in PLS-SEM, management accounting researchers should use additional statistical criteria” (p. 22), including Q^2 values. Following Nitzl, this study assessed these values in order to ensure the model’s overall fit through Q^2 values, as shown in Table 47.

Table 47. Predictive relevance: Q^2 values

Models	V1	V2	V3	V4
Ethical Awareness (EA)	0.030	0.011	0.015	0.034
Ethical Judgement (EJ)	0.445	0.480	0.331	0.290
Ethical Intention (EI)	0.215	0.071	0.125	0.194

Source: Author

PLS-SEM software has an option to compute Q^2 values through “a blindfolding procedure” (omission distance 7) to evaluate the predictive relevance of reflective indicators (Hair et al., 2017). According to Table 47, all Q^2 values of endogenous variables met the criterion of higher than 0, which means that reflective endogenous constructs (ethical awareness, judgement, and intention) prove the predictive relevance. The structural model results were used to answer several of the study’s research questions: impact of religiosity (see Table 48); influence of organisational culture (see Table 49); familiarity with professional codes of ethics (see Table 50); and, moral intensity measures (see Table 51) on the three stages of the ethical decision-making process.

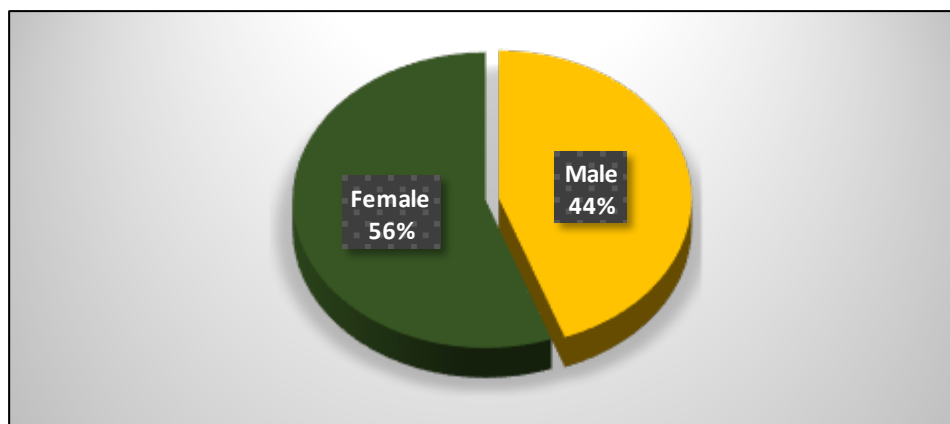
9.3 The Study's Research Questions

9.3.1 Research Question 3: What individual factors influence the ethical decision-making of accountants in Sri Lanka?

Does gender influence the three stages of Rest's ethical decision-making process?

The most basic characteristic in many demographic studies, including ethics research, is gender (Aggarwal, Goodell, & Goodell, 2014; Craft, 2013), and the impact of gender on ethical decision-making has been studied more than any other variable in business ethics research (Evans et al., 2015; Kuntz et al., 2013; Shawver & Clements, 2014; Valentine, Godkin, Page, & Rittenburg, 2009). Thus, this particular study examines the possible influence of gender on the ethical decision-making of Sri Lankan accountants. As depicted in Figure 14, this study's sample contained more females than males.

Figure 14. Percentage distribution of accountants, by gender.



Source: Author

With respect to gender, as reflected in Table 35, the male accountants displayed higher ethical awareness mean scores than their female counterparts did in all four vignettes. However, the results of the independent samples *t*-test were statistically significant only for the third vignette ($t = 1.732, p < 0.1$). Thus, the male accountants reported higher ethical sensitivity mean scores ($M = 3.98, SD = 0.9$) when compared with female respondents ($M = 3.78, SD = 1.0$) for *the stealing confidential information vignette*. Also, the Mann-Whitney *U* tests result showed statistically

significant differences in ethical awareness among males and females for the same vignette ($z = 1.736, p < 0.1$). These findings are consistent with Marques and Azevedo-Pereira (2009) who also found that male chartered accountants were significantly more ethical than female accountants in two out of five scenarios. Similar results were found by Musbah et al. (2014), who also reported that female management accountants in Libya were less sensitive than their male counterparts in identifying ethical issues in two of their four scenarios.

In contrast to the ethical awareness mean scores, as depicted in Table 35, female accountants reported higher ethical judgement mean scores (V1: $M = 3.60, SD = 0.9$ and V4: $M = 3.90, SD = 0.9$) when compared to male accountants (V1: $M = 3.23, SD = 1.1$ and V4: $M = 3.71, SD = 0.9$) with relation to the first vignette and the fourth vignette. The results of the independent samples t -test were statistically significant (V1: $t = 3.168, p < 0.05$; V4: $t = 1.688, p < 0.1$). Similar results were reported by Eweje and Brunton (2010), who found that females were more ethical than men. However, the Mann-Whitney results in this study showed different results to the t -test findings. While statistical differences were shown with regard to the first vignette ($z = 3.048, p < 0.05$), no statistical differences were revealed with regard to the fourth vignette.

With regard to ethical intention, female accountants reported higher mean scores for three vignettes (vignettes 1, 2, and 4) than male counterparts did. However, the results of the independent samples t -test were statistically significant for the first vignette only ($t = 1.796, p < 0.1$). Thus, the female accountants ($M = 3.64, SD = 1.0$) responses to *the accepting gifts vignette* exhibited a higher degree of intention to act when compared to those of their male counterparts ($M = 3.42, SD = 1.1$). Similar findings were suggested by Marta, Singhapakdi, and Kraft (2008), who claimed that female managers showed higher ethical intention than their male counterparts showed. On the other hand, in the third vignette, male accountants showed a slightly higher mean ethical intention than did females. However, other than vignette 1, there is no significant difference in the mean scores on ethical intention for male and female accountants. Musbah et al. (2014) also suggested that there are no significant results with regard to the ethical intention of management accountants in Libya. Moreover, the Mann-Whitney U test results showed no

statistically significant differences in ethical intention between males and females for any of the vignettes.

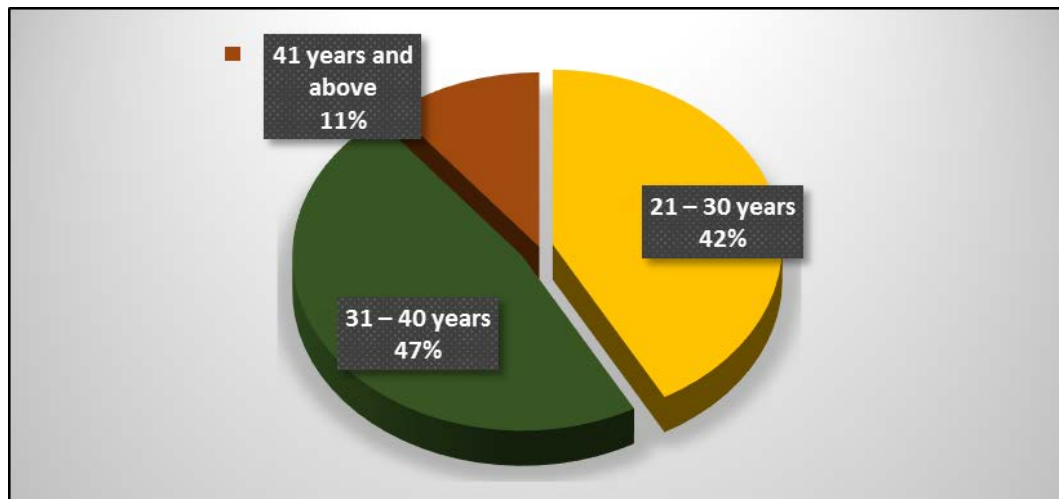
The mixed findings suggested that there are differences between male and female accountants in Sri Lanka in recognising, making judgements, and intending to act in various situations, which is consistent with previous findings (Craft, 2013; Kuntz et al., 2013; Musbah et al., 2014). Overall, male accountants showed higher awareness than their female counterparts did in recognising particular ethical issues, while females are more ethical than males in making judgements and intending to act. Further, as reflected in Table 36, the parametric test results and nonparametric results were different in two instances (ethical judgement in the fourth vignette and ethical intention in the first vignette).

Does the age of the accountants influence the three stages of Rest's ethical decision-making process?

Prior research has shown inconsistent and mixed results in relation to the impact of age on ethical decision-making processes (Kohut & Corriher, 1994; Ruegger & King, 1992; Smith, DeBode, & Walker, 2013). Thus, this study examines the impact of the age of Sri Lankan accountants on their ethical decision-making process.

As depicted in Figure 15, the majority of the Sri Lankan accountants were aged between 31–40 years (47%), while the accountants from the 21–30 age group made up 42% of the sample. For the purpose of carrying out ANOVA tests, the 51 and above age group has been excluded because it contained a smaller number of observations (i.e., only 5 respondents); they have been added to the 41 and above age group.

Figure 15. Percentage distribution of accountants, by age



Source: Author

With regard to mean scores of ethical awareness, the accountants who were 41 years of age and over had higher perceptions of the ethical issues presented in two of the vignettes than did those in the other two groups. In contrast, higher sensitivity to ethical awareness was demonstrated by the younger age group of accountants for the second vignette, and by accountants who were in the 31–40 years age group on the fourth vignette. However, none of the results was statistically significant. Likewise, the nonparametric test results were not statistically significant. These findings were consistent with the results obtained by Eweje and Brunton (2010), who found that age does not necessarily have a significant impact on ethical awareness. However, Musbah et al. (2014) did find several significant results on age and ethical recognition in relation to two scenarios.

As reflected in Table 36, the accountants in the sample who belonged in the 31–40 age group demonstrated higher ethical judgement for the first three vignettes, compared to the older and the younger age groups of accountants. However, none of the ANOVA and chi-square findings were significant in ethical judgement with relation to the age of the accountants in these three vignettes. A similar finding was suggested by both Musbah et al. (2014) and Eweje and Brunton (2010) in their studies with regard to ethical judgement. In contrast to the findings on the first three vignettes, in the fourth vignette, accountants who were 41 years and above

demonstrated higher ethical judgement than did others; however, the ANOVA independent sample test result is not statistically significant.

As depicted in Table 36, those accountants who were older than 41 displayed the highest ethical intentions in three vignettes (1, 3, and 4). Among these findings, significant *t*-test results were found with regard to age differences in ethical intention in the first and the third vignette. In the *accepting gifts vignette*, this group of accountants (41 and above) exhibited higher ethical intention ($M = 4.00$, $SD = 1.0$); consequently, the ANOVA test result was significant ($F = 3.835$, $p < 0.05$). Furthermore, the responses of the 41 and above age group of accountants to the *making extra-ordinary payments vignette* demonstrated the highest ethical intention ($M = 4.15$, $SD = 0.8$), which was statistically significant ($F = 2.621$, $p < 0.1$). For the same vignette, the youngest group of accountants in the sample demonstrated higher ethical intention than shown by their counterparts who were aged between 31 and 40 ($M = 4.14$, $SD = 0.9$). In both these situations, the chi-square results were also significant (V1: chi-square = 9.232, $p < 0.05$ and V3: chi-square = 6.193, $p < 0.1$). In contrast to the ANOVA results, the chi-square result was significant (chi-square = 4.749, $p < 0.01$) for the second vignette—*adjusting financial information*. In this vignette, the youngest group of accountants displayed higher intention to act than did the other two age groups of accountants.

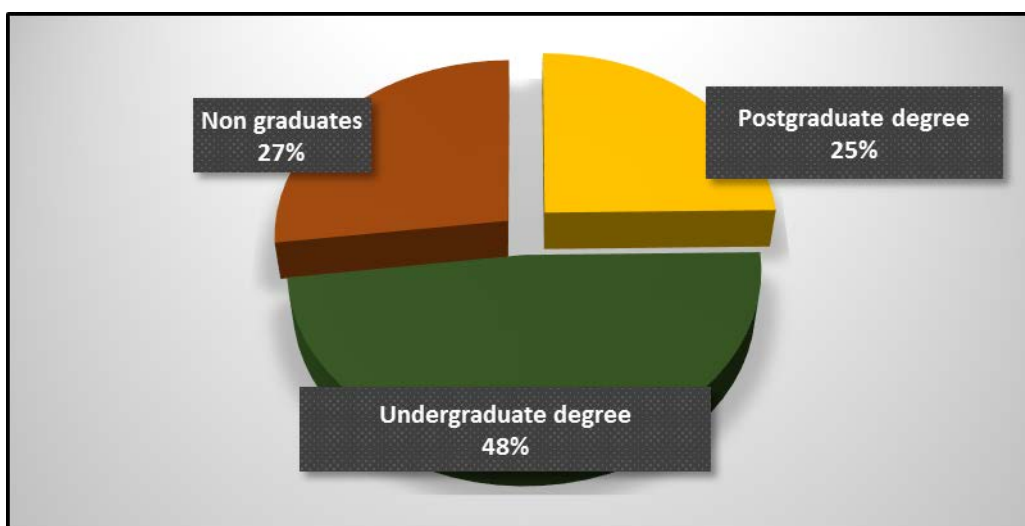
Overall, the age factor of accountants in Sri Lanka does matter when they intend to act, the third step of Rest's (1986) ethical decision-making model, in several situations. However, the findings are mixed because the older group intend to act ethically in two situations, while young accountants do so in only one situation.

Does the education level of accountants influence the three stages of Rest's ethical decision-making process?

The impact of education in this study was tested using several criteria: academic education level and ethics coverage in it; and, professional education level and ethics coverage in it. Figure 16 indicates that there are considerable differences in the academic education attainment of the accountants in this study. Nearly half of the accountants in the sample (49%) have obtained an undergraduate degree as their

highest academic qualification, while 25% of the respondents mentioned that they have obtained a postgraduate degree. Although it is not necessary to have an undergraduate degree to become a professional accountant in Sri Lanka, most of the accountants in this study possess university degrees, because most undergraduates follow professional accounting study programmes while undertaking their academic studies. However, 23% of the accountants in the sample have obtained only high-school qualifications and another 4% (14 respondents) have obtained diploma level qualifications. Since the final results can be misleading due to a lower number of observations in the diploma level group, these 14 accountants were added to the high-school category and renamed as nongraduates.

Figure 16. Percentage distribution of accountants, by academic education.



Source: Author

As depicted in Table 36, nongraduate accountants reported higher ethical awareness mean scores ($M = 4.12$, $SD = 0.8$) than those of graduate accountants for the fourth vignette, where the ANOVA statistics were statistically significant ($F = 2.402$, $p < 0.1$). This result suggests that, irrespective of undergraduate or graduate qualifications, accountants recognise the ethical issue detailed in that vignette. When comparing the other two groups, the finding indicated that accountants with postgraduate degrees ($M = 3.97$, $SD = 1.0$) demonstrated higher ethical awareness on the *making extra-ordinary payments* issue presented in the fourth vignette than did their counterparts who had undergraduate degrees ($M = 3.83$, $SD = 1.0$). The chi-square results confirmed the results of ANOVA test results.

As indicated in Table 36, accountants who hold graduate qualifications displayed higher mean scores for ethical judgement on all four vignettes than did their counterparts who hold lesser academic qualifications. Nevertheless, the ANOVA test results indicated that the difference between the mean scores among them was not significant ($p > 0.1$). Similarly, the chi-square results specified that the differences in mean ranks were not statistically significant. As a result, no impact was found from academic qualifications on ethical judgement. These findings are consistent with Musbah et al. (2014), who did not find any significant results connecting educational level (academic qualifications—high school, higher diploma, bachelor's and master's or above) and ethical judgement.

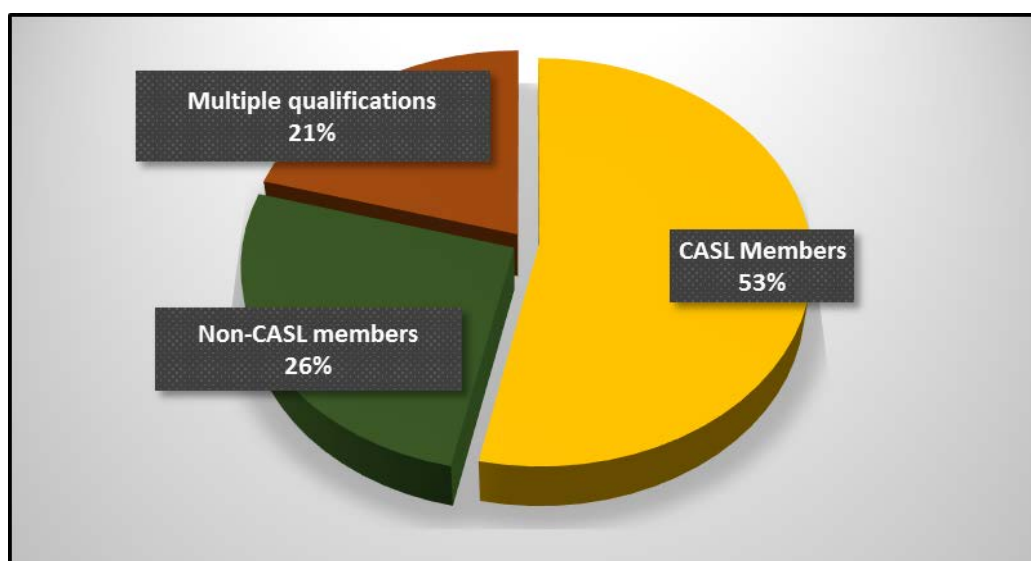
The mean ethical intention scores for the accountants with different academic qualifications are presented in Table 36. As indicated there, several statistically significant independent samples *t*-test results were found with regard to ethical intention in the first and the fourth vignette. Higher mean scores were reported for accountants with a graduate qualification (V1: $M = 3.78$, $SD = 1.1$ and V4: $M = 4.15$, $SD = 0.8$) than were reported for their other counterparts. Interesting mean scores were reported when the scores for the other two groups of accountants who hold an undergraduate degree (V1: $M = 3.44$, $SD = 1.0$ and V4: $M = 3.74$, $SD = 0.9$) were compared with those for nongraduate accountants (V1: $M = 3.54$, $SD = 1.1$ and V4: $M = 3.90$, $SD = 0.8$). For example, the nongraduates showed higher intention than did the other groups. The two-way ANOVA results indicate that the differences between the mean scores were significant (V1: $F = 2.679$, $p < 0.1$; V4: $F = 5.226$, $p < 0.01$). Supporting the parametric test results, the nonparametric test results were also significant with regard to the first vignette (chi-square = 6.767, $p < 0.05$) and the fourth vignette (chi-square = 11.485, $p < 0.01$). Echoing these findings, Musbah et al. (2014) found two significant results linking educational level and ethical intention in two of the scenarios in their study.

With regard to academic qualifications, Sri Lankan accountants were also asked about the coverage of ethics in their academic courses. Neither the *t*-tests results nor the Mann-Whitney *U* test results (see Table 35) showed any significant results here. This finding suggests that there are no differences in terms of the mean scores/mean ranks of ethical awareness, judgement, and intention relating to

whether or not Sri Lankan accountants have covered ethics in any of the courses in their academic education.

The other criteria used to measure education was the professional qualifications of the Sri Lankan accountants. As such, this was a unique criterion to measure the educational level of accountants in Sri Lanka. As depicted in Figure 17, three groups were identified on the basis of their professional qualification. While the first two groups hold only one qualification, the third group of accountants hold multiple memberships. The first group represents CASL members who hold only CASL membership and they make up 54% of the sample respondents. In Sri Lanka, CASL is the leading professional accounting body with around 5,600 members. In addition to CASL members, the study sample contained accountants from other professional accounting bodies including CIMA (66 members), ACCA (7 members), and CMA (9 members). Due to the low number of observations from these categories, they all were categorised into one group called non-CASL members, which became the second group. The third group consists of another 21% of accountants who hold multiple professional affiliations, i.e., any two or three memberships including CASL, ACCA, CIMA or CMA.

Figure 17. Percentage distribution of accountants, by professional accounting education.



Source: Author

The results of the ANOVA of professional qualifications and ethical awareness are depicted in Table 36. The non-CASL members showed higher awareness than did the CASL members and others who hold multiple qualifications for all four vignettes. The ANOVA result was significant for the fourth vignette. In particular, the non-CASL members demonstrated higher awareness ($M = 3.91$, $SD = 0.9$) than was shown by the other two groups. Moreover, accountants who hold multiple qualifications ($M = 3.89$, $SD = 0.7$) showed higher ethical recognition than did CASL members ($M = 3.70$, $SD = 0.9$) for the fourth vignette. The chi-square result was also statistically significant in this situation. In addition, although none of the other ANOVA results was significant, the chi-square result was significant with respect to the first vignette (chi-square = 4.645, $p < 0.1$).

As depicted in Table 36, neither the ANOVA results nor the chi-square results indicated any significant differences between the judgement-making of CASL, non-CASL members, and accountants who hold multiple professional accounting qualifications. However, the accountants who hold multiple qualifications generated higher mean scores for ethical judgement in the first three vignettes than did their counterparts, while non-CASL members produced greater mean scores on the fourth vignette.

As found with ethical judgement, accountants who hold multiple qualifications showed higher mean scores on ethical intention in three vignettes (1, 2, and 4) than CASL and non-CASL members did. The mean scores of accountants who hold multiple qualifications are as follows: (V1: $M = 3.83$, $SD = 0.9$ and V4: $M = 4.15$, $SD = 0.8$). Among these results, except for the second vignette, the ANOVA results were statistically significant in the case of the first and fourth vignette (V1: $F = 2.907$, $p < 0.1$; V4: $F = 4.725$, $p < 0.01$). However, on the third vignette, non-CASL members ($M = 4.18$, $SD = 0.8$) had the highest ethical intention score, which was also statistically significant ($F = 3.118$, $p < 0.1$). Similar to the ANOVA findings, the chi-square results were also statistically significant. Thus, differences were significant at the 0.1 level ($p < 0.1$) in the first and third vignette, while in the fourth vignette, the variances were statistically significant at the 0.01 level ($p < 0.01$).

With regard to professional qualifications, Sri Lankan accountants were also asked about ethics courses covered in their professional qualifications. However, the ANOVA results here were insignificant in the areas of recognising, making judgements, and intending to act in all four of the study's ethical vignettes. The accountants did not perceive that the coverage of ethics in any professional courses had any impact on the ethical decision-making process. Nevertheless, in two instances, nonparametric results were significant. In the first instance, for example, the accountants who had covered ethics courses in their professional education ($M = 3.93$, $SD = 0.9$) reported higher ethical awareness mean scores than did their counterparts who have not taken any ethics courses ($M = 3.69$, $SD = 0.7$). The second instance was that accountants who had not covered ethics courses in their professional education ($M = 4.28$, $SD = 0.9$) displayed higher ethical intention than did accountants who had done ethics courses ($M = 3.99$, $SD = 0.9$).

The results of the study indicated that non-CASL members recognised issues as more unethical than did other groups. However, Sri Lankan accountants who had multiple qualifications intended to act more ethically than did accountants who held only either CASL, ACCA, CMA or CIMA membership. In addition, no differences were found in the parametric (t -statistics) and nonparametric (z statistics) with relation to academic and professional qualifications.

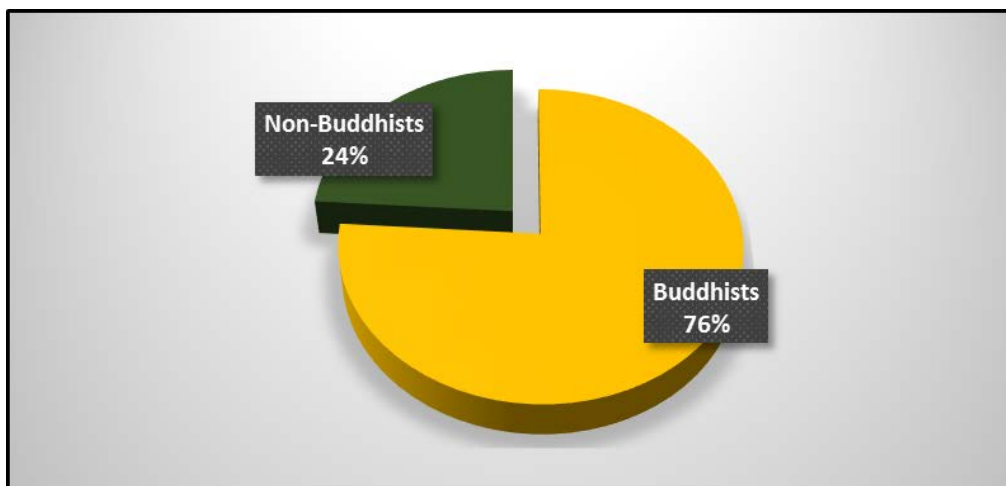
Does the religion and religiosity of accountants influence the three stages of Rest's ethical decision-making process?

Impact of religion

Another important characteristic in demographic analyses is religion (Keller et al., 2007). The Sri Lankan accountants in this study were from different religions: Buddhism, Christianity, Hinduism, and Islam. As shown in Figure 18, the majority of the respondents (76%) in the sample were Buddhists. This finding was not surprising, given that 78% of Sri Lanka's total population are Buddhists. The remaining respondents were from other religions as follows: Christians (16%); Muslims (4%); and, Hindus (4%). Since accountants from other religions represented small percentages and reporting these religious groups individually could distort the final results, suggesting low statistical power in the results, all three

of these groups were added together into one group which was renamed non-Buddhists (24% as depicted in Figure 18) for analysis purposes.

Figure 18. Percentage distribution of accountants, by religion.



Source: Author

As Table 35 shows, the findings of this study indicated that analysis of the impact of religion on ethical awareness produced only one significant result. It was found for the second vignette, which explores the topic *adjusting financial information*. In particular, non-Buddhists ($M = 4.12$, $SD = 0.8$) showed higher ethical awareness mean scores than did Buddhists ($M = 3.84$, $SD = 0.9$). In line with the parametric result, similar statistically significant difference was depicted through the nonparametric result ($z = 2.191$, $p < 0.05$). None of the other situations produced statistically significant findings. The findings suggested that, although Sri Lanka is primarily a Buddhist country, the Buddhist accountants demonstrated less sensitivity towards ethical dilemmas than did Christian, Muslim, and Hindu accountants.

Only one statistically significant result was reported for the second vignette, *adjusting financial information* (see Table 35). In particular, it was reported that the difference between the mean ranks was significant according to the z statistics ($z = 1.690$, $p < 0.01$) in this situation. Similar to the second vignette, non-Buddhists showed higher mean scores in the third (*stealing information*) and fourth (*making extra-ordinary payments*) vignettes. However, Buddhist accountants showed higher ethical judgement mean scores than did non-Buddhists in the first vignette,

accepting gifts. Nevertheless, neither the *t*-test nor *z* test results were statistically significant in these three instances (V1, V3, and V4).

With regard to ethical intention, two significant *z* test results were found in the second ($z = 1.846, p < 0.05$) and the third vignette ($z = 2.163, p < 0.05$) with regard to the intention of accountants in Sri Lanka. In these situations, non-Buddhists indicated higher intention than did Buddhist accountants. On the other hand, Buddhist accountants showed higher ethical intention than did non-Buddhists in the first vignette, while both groups had similar perceptions in the fourth vignette.

In summary, the non-Buddhist accountants indicated higher awareness, judgement, and intention to act in most of the situations than was shown by Buddhists accountants in the ethical decision-making process. However, Buddhist accountants showed high mean scores in making judgements and intending to make ethical decisions in the first vignette, the one that examines an ethical issue around *accepting gifts*.

Religiosity's impact on the three stages of Rest's ethical decision-making process

It is interesting to examine whether the religious beliefs of accountants have an impact on their ethical decision-making process in a country like Sri Lanka where the majority identify as Buddhists. As discussed in chapter 6, the two constructs—extrinsic and intrinsic religiosity scales—used in this study were originally validated using Christians whose values and faith are very different from Buddhist beliefs. As depicted in Table 48, the path coefficients of the structural model showed the impact of religiosity on the ethical decision-making process.

Table 48. Path coefficients: Extrinsic religiosity (ER) and intrinsic religiosity (IR)

Models	V1			V2			V3			V4		
Measures	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)
Extrinsic religiosity (ER)												
ER -> EA	0.002	0.018	0.986	-0.094	1.393	0.164	0.094	1.589	0.112	0.140	2.244	0.025
ER -> EJ	-0.117	1.915	0.056	0.097	0.935	0.350	0.015	0.169	0.866	-0.018	0.293	0.769
ER -> EI	-0.025	0.502	0.616	-0.030	0.640	0.522	0.048	0.782	0.434	0.059	1.084	0.279
Intrinsic religiosity (IR)												
IR -> EA	0.011	0.204	0.838	-0.036	0.605	0.545	0.065	0.895	0.371	0.051	0.680	0.496
IR -> EJ	0.023	0.323	0.747	-0.075	0.801	0.423	0.048	1.096	0.273	0.071	1.382	0.167
IR -> EI	0.046	0.969	0.333	0.033	0.722	0.471	-0.011	0.255	0.799	0.023	0.507	0.612

Source: Author

The model suggested that neither ER nor IR had any significant impact on ethical awareness, judgement, and intention, except in one situation, which was the hypothesised path relationship between extrinsic religiosity and ethical awareness in the fourth vignette. In this situation, the standardised path coefficient is 0.140 and the *t*-statistics are greater than the criterion of 1.96. Thus, Sri Lankan accountants' extrinsic religious orientation had a positive influence on their recognition of the bribery issue presented in the fourth vignette (V4: PC = 0.140, *t* = 2.244). This finding was consistent with those of several prior studies (Conroy & Emerson, 2004; Mazereeuw-van der Duijn Schouten et al., 2014; Singhapakdi et al., 2000).

As depicted in Table 48, no significant *t* statistics could be found with regard to intrinsic religiosity in any of the three stages of the ethical decision-making process. Thus, the results confirmed that intrinsic religiosity did not influence the Sri Lankan accountants' decision-making process when facing ethical dilemmas. Nevertheless, intrinsic religiosity did have a positive influence on ethical awareness, judgement, and intention, despite several exceptions. For example, it had a negative influence on ethical awareness and ethical judgement in vignette 2, and on ethical intention in vignette 3.

Consistent with these mixed results, Mazereeuw-van der Duijn Schouten et al. (2014) also found that intrinsic religiosity positively affects the ethical corporate social responsibility (CSR) attitude, while it negatively affects the financial CSR attitude of Christian Dutch executives. In the context of Sri Lanka, a predominantly Buddhist country however, the survey findings showed that the religiosity of professionals, particularly accountants, was a moderately weak predictor of Rest (1986) three steps in the ethical decision-making process. As argued by Ramasamy, Yeung, and Au (2010), religiosity is known to have a significant influence on values, which then affect the decision-making behaviour of an individual. In particular, the second chapter of this thesis argued that Buddhist values hold a high place in people's lives in Sri Lanka. However, the quantitative findings revealed conflicting results about the values of accountants in Sri Lanka.

Does the family background of accountants influence the three stages of Rest's ethical decision-making process?

In this study, accountants were asked to rate the extent to which they think that family background and upbringing influence ethical decision-making. Their responses indicated that they saw family background and upbringing as influencing the ethical decision-making process as follows: absolutely (76); to a greater extent (164); moderately (38); to some extent (33); and, not at all (2). However, for the purpose of the data analysis, those five groups were reconfigured into three categories: absolute influence (76); high influence (164); and, moderate and low influence (38+33+2), because an adequate number of observations had to be retained in each category for comparison purposes.

Table 36 indicates the independent ANOVA results with regard to the impact of family background. The findings suggested that the impact of family background on the ethical decision-making process was significant in recognising ethical issues in the first vignette only. This result implies that, although many respondents perceive that family background has an impact on the ethical decision-making process, when it comes to actual decision-making, family background does not have a big impact.

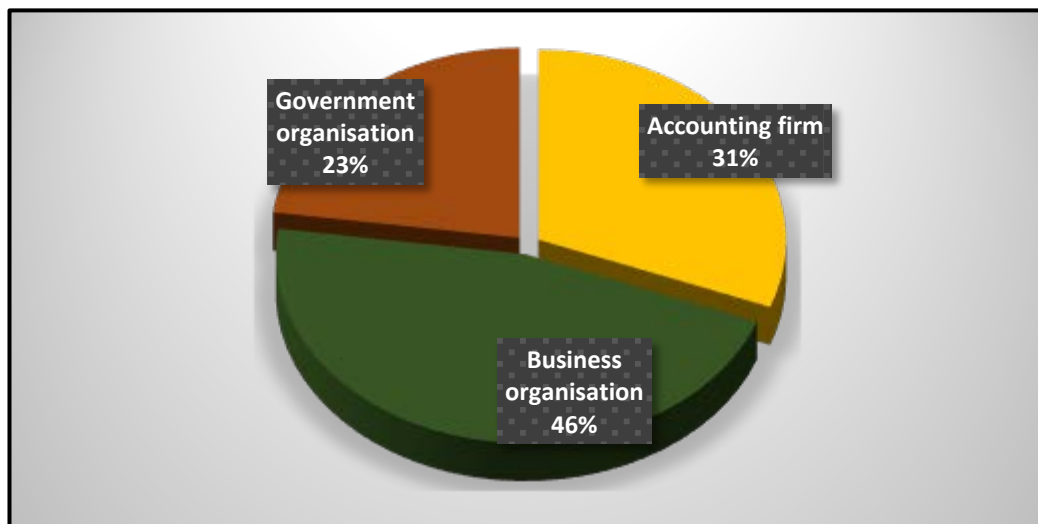
9.3.2 Research Question 4: What organisational factors influence the ethical decision-making of accountants in Sri Lanka?

Does the work organisation of accountants influence the three stages of Rest's ethical decision-making process?

Little research exists on the impact of work organisation on the ethical decision-making process. However, differences in ethical decision-making between audit and nonaudit trainees were found by Pierce and Sweeney (2010). The current study, therefore, considered three different types of work organisations (see Figure 19): accountants from business organisations (46%); respondents from accounting firms (31%); and, accountants in government organisations (23%). The most salient fact when observing the work organisation status of Sri Lankan accountants is that a relatively high proportion work in business organisations or industry.

As reflected in Table 37, accountants from government organisations showed higher awareness of the ethical dilemmas presented in three of the vignettes (V2, V3, and V4). While none of the *t*-test results was statistically significant, the chi-square result was significant for the second vignette (chi-square = 6.794, $p < 0.05$), suggesting that there are differences in mean ranks. Vignette 2 dealt with *adjusting financial information*, a common ethical dilemma faced by accountants. For the first vignette, however, accountants from business organisations indicated greater mean scores than did their counterparts working in government departments and accounting firms.

Figure 19. Percentage distribution of accountants, by work organisation.



Source: Author

In making judgements, accountants from government departments generated higher mean scores in three vignettes (V1, V3, and V4), while accountants from business organisations showed higher ethical judgement scores for vignette two. However, no statistically significant differences were found in ethical judgements based on the work organisation of accountants (see Table 38).

The findings suggested that the organisation accountants worked for did matter when they are intending to act in situations involving ethical dilemmas. In particular, in the third vignette, accountants from business organisations showed higher ethical intention means ($M = 4.21$, $SD = 0.8$) than other accountants who worked at government departments ($M = 3.90$, $SD = 1.0$) and accounting firms ($M = 3.85$, SD

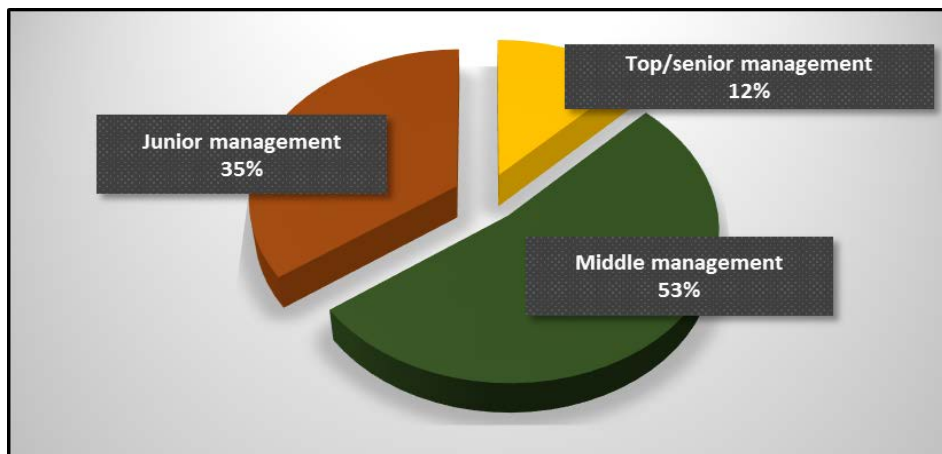
= 0.9) did. Both the t -test result ($t = 5.355, p < 0.05$) and chi-square result (chi-square = 10.245, $p < 0.05$) were significant. In contrast, accountants from government departments indicated higher ethical intention mean scores ($M = 4.24, SD = 0.8$) than the other two groups did on the fourth vignette, the situation around *making extra-ordinary payments*. In this situation, accountants from business organisations showed lower mean scores ($M = 3.77, SD = 0.9$) than the accountants from accounting firms ($M = 3.79, SD = 0.9$) did. Here, both the differences in the mean scores ($F = 6.718, p < 0.01$), and the mean rank differences (chi-square = 15.583, $p < 0.01$) were statistically significant.

As reflected in Table 37, no significant results (ANOVA and chi-square) could be found with regard to the work organisation of accountants in regard to ethical decision-making for the first two vignettes. The findings suggest that accountants' ethical decision-making, in particular their ethical awareness and intention, is impacted by their work organisation, but in different situations.

Does an accountant's management level influence the three stages of Rest's ethical decision-making process?

Figure 20 depicts the profile of accountants in the sample according to their management position within their work organisation. Fifty-three per cent of the respondents work in middle management; 31% work at the junior management level, and 12% of the respondents work at the senior management level.

Figure 20. Percentage distribution of accountants, by their level of management



Source: Author

With regard to an accountant's management level, as depicted in Table 37, four significant differences were found (ethical awareness in V1, ethical judgment in V3, and ethical intention in V1 and V4). In all of these instances, top management acted more ethically than did the other two groups of accountants. However, in all other situations, except for ethical awareness in the first vignette, both the parametric and nonparametric results were significant.

As indicated in Table 37, none of the ethical awareness mean scores was significant (ANOVA test statistics), suggesting that the level of management had no impact on recognising the ethical issues. Nevertheless, the chi-square result for the first vignette (chi-square = 6.270, $p < 0.05$) was statistically significant with regard to ethical awareness, suggesting that there are differences in mean ranks of the different management levels of accountants around awareness.

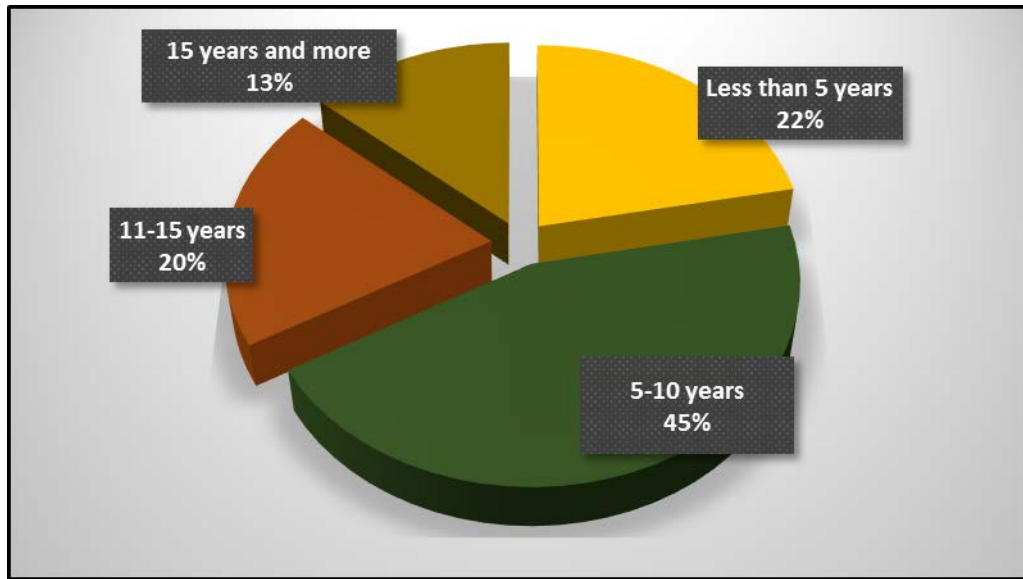
When making ethical judgements about the issue faced in the third vignette, accountants representing top-level management indicated higher mean scores ($M = 4.18$, $SD = 0.6$). Those in middle management indicated higher ethical judgement mean scores ($M = 4.09$, $SD = 0.7$) than did their counterparts at junior level management ($M = 3.87$, $SD = 1.0$). Both the ANOVA results ($F = 2.862$, $p < 0.1$) and the chi-square result (chi-square = 3.206, $p < 0.1$) were statistically significant in this situation.

During the third step in Rest's ethical decision-making process—ethical intention—accountants from the top level of management had the highest scores in two situations (V1: $M = 4.08$, $SD = 0.9$ and V4: $M = 4.29$, $SD = 0.7$). By comparison, junior management showed higher mean scores ($M = 3.50$, $SD = 1.1$) than those in the middle level of management ($M = 3.46$, $SD = 1.0$) in the first vignette; however, the results were the reverse for the fourth vignette (middle level: $M = 3.91$, $SD = 0.8$, and junior level: $M = 3.71$, $SD = 1.0$).

Do years of an accountant's years of work experience influence the three stages of Rest's ethical decision-making process?

Prior research identifies work experience as a factor that influences ethical decision-making (Keller et al., 2007; Musbah et al., 2014; Pierce & Sweeney, 2010). As shown in Figure 21, the Sri Lankan accountants in the sample were categorised into five groups in terms of their length of work experience.

Figure 21. Percentage distribution of accountants, by length of work experience.



Source: Author

The highest proportion of accountants in this study's sample fell into the 5 to up to 10 years' work experience (45%) bracket, with a further 20% having over 11 and up to 15 years' experience. As shown in Figure 21, the survey shows that 13% of the accountants had more than 15 years' experience, including 8% within the 16-20 years' experience category and 5% having more than 20 years' experience. (N.B. Due to a small number of observations of accountants having more than 20 years' experience, this group was added to the 16-20 years group and renamed as 15 years and over).

In recognising ethical issues, accountants with differing years of work experience recognised issues differently in a diverse range of situations (see Table 38). The ANOVA results produced interesting findings that were statistically significant for

three of the vignettes (V2, V3, and V4) (V2: $F = 2.387, p < 0.1$, V3: $F = 2.515, p < 0.1$, and V4: $F = 2.110, p < 0.1$). In addition, the differences in mean ranks (chi-square results) were also significant for the second and third vignettes. For example, in the second and the third vignettes, accountants with 11–15 years of work experience indicated higher ethical awareness than did their counterparts (V2: $M = 4.16, SD = 0.8$, and V3: $M = 4.11, SD = 0.8$), while in the fourth vignette, it was the accountants who had only 5–10 years' work experience who showed greater ethical recognition ($M = 4.04, SD = 0.9$). These findings were consistent with Musbah et al. (2014), who reported one significant difference in ethical recognition based on work experience. They found that the greater the number of years' experience (>25 years), the higher the ethical recognition scores.

In making ethical judgements, two significant ANOVA results were reported for the second and the third vignette (see Table 37). In particular, accountants with 10–14 years of work experience reported higher ethical judgement mean scores than were recorded for those in the other groups in two scenarios (V2: $M = 4.11, SD = 0.6$, and V3: $M = 4.16, SD = 0.6$). Among the other two groups, the lowest mean scores were reported by the accountants who have the least number of years of work experience, i.e., those with 5–9 years' experience (V2: $M = 3.74, SD = 0.9$, and V3: $M = 3.77, SD = 1.0$).

Table 37 reports the mean values on ethical intention. Here, significant results were found in relation to the first vignette, where the scores ranged from 3.43 to 4.14. The highest score was reported for accountants with over 15 years' work experience and the lowest score was generated by the group with 5–10 years of work experience. Both the ANOVA ($F = 5.281, p < 0.01$) and chi-square results (chi-square = 19.055, $p < 0.01$) were statistically significant in this situation.

Does organisational culture influence the three stages of Rest's ethical decision-making process?

The impact of organisational ethical culture was examined using three dimensions: unethical tone at the top (UTT), lack of timely penalties (LTP), and unethical pressures (UP), as used by Sweeney et al. (2010). The first component of the

organisational ethical culture component used in this study was “unethical tone at the top” that was associated with engagement in unethical behaviour at different levels. The path coefficients of the model suggest that UTT has a positive significant effect on awareness (V1: PC = 0.117, $t = 2.008$) and ethical intention (V4: PC = 0.143, $t = 2.707$). This result indicates that greater perceived unethical tone at the top was related to higher awareness and intention when facing ethical situations. However, none of the UTT standard path coefficients was statistically significant on ethical judgement (see Table 49).

Table 49. Path coefficients: Unethical tone at the top (UTT), lack of timely payments (LTP), and unethical pressure (UP)

Models	V1			V2			V3			V4		
Measures	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)
Unethical tone at the top (UTT)												
UTT -> EA	0.117	2.008	0.045	0.111	1.621	0.105	-0.030	0.409	0.683	-0.080	0.941	0.347
UTT -> EJ	0.112	1.880	0.060	-0.066	1.035	0.301	-0.017	0.275	0.783	0.045	0.686	0.493
UTT -> EI	0.082	1.620	0.105	0.069	1.424	0.154	-0.071	1.494	0.135	0.143	2.707	0.007
Lack of timely payments (LTP)												
LTP -> EA	0.004	0.063	0.950	0.035	0.558	0.577	0.009	0.149	0.882	-0.052	0.788	0.431
LTP -> EJ	0.066	1.225	0.221	-0.031	0.521	0.602	0.046	0.816	0.414	-0.071	1.172	0.241
LTP -> EI	-0.110	2.293	0.022	-0.081	1.951	0.051	-0.142	2.791	0.005	-0.095	2.032	0.042
Unethical pressure (UP)												
UP -> EA	-0.035	0.446	0.656	-0.054	0.746	0.456	-0.094	1.251	0.211	-0.018	0.248	0.804
UP -> EJ	-0.078	1.095	0.274	0.276	3.894	0.000	-0.260	3.931	0.000	-0.260	4.316	0.000
UP -> EI	-0.068	1.289	0.198	-0.054	1.006	0.314	0.042	0.794	0.427	-0.075	1.263	0.207

Source: Author

The second component of organisational ethical culture is “lack of timely penalties” (LTP), which was linked to promptness of reprimand for detected unethical behaviour (reprimand for personal gain and gain to the firm). In addition, this study added a new statement to measure the lack of timely penalties, i.e., LTP3 (wider societal benefits, rather than personal or gain to the firm), thus, extending Sweeney et al. (2010). According to the structural model results, the path relationships between LTP and ethical intention were negative and statistically significant in three of the vignettes (V1: $PC = -0.110$, $t = 2.293$; V3: $PC = -0.142$, $t = 2.791$; V4: $PC = -0.095$, $t = 2.032$), but not in the second vignette. Therefore, Sri Lankan accountants perceived that a lack of timely penalties to deal with unethical behaviour negatively influenced intention to act decisions. However, LTP had no impact on accountants’ identification of ethical dilemmas and making of judgements.

The third component of organisational ethical culture was “unethical pressure” (UP); this referred to pressures to engage in unethical behaviour. The model suggested that unethical pressure was significantly negatively related to ethical judgement in two vignettes (V3: $PC = -0.26$, $t = 3.931$; V4: $PC = -0.26$, $t = 4.316$), and so indicated that greater perceived pressure to engage in unethical actions was related to making more ethical judgements in facing ethical issues including *stealing information* and *making extra-ordinary payments*. However, in *adjusting financial statements*, unethical pressure and ethical judgement were positively related ($PC = 0.276$, $t = 3.894$). In addition, UP had no impact on the ethical awareness and intention of Sri Lankan accountants. Another interesting finding was that when accountants were faced with a situation of *accepting gifts* (which was presented in the first vignette), UP had no impact on any of the three steps of the ethical decision-making process.

The findings on the importance of perceived ethical culture provide evidence to suggest that the culture created within an organisation could have a significant impact on ethical decision-making. In particular, UTT influences accountants’ ethical awareness and intention. While LTP influences ethical intention, UP has an impact on ethical judgement. However, the study’s findings here were mixed and inconsistent across the four vignettes.

9.3.3 Research Question 5: What professional factors influence the ethical decision-making of accountants in Sri Lanka?

Does familiarity with professional codes of ethics (PCE) influence ethical decision-making?

As shown in Table 50, the model indicated that PCE had a positive and significant influence on ethical judgement (V1: PC = 0.152, $t = 2.214$) and on ethical intention (V2: PC = 0.152, $t = 3.717$; V4: PC = 0.145, $t = 2.758$). Thus, these findings suggested that a high level of understanding of and familiarity with the professional codes of ethics issued by professional accounting bodies of which accountants are members had a great impact on their judgement-making and intention to act before they made their final decisions. However, the hypothesised path relationships between PCE and ethical awareness were not statistically significant in one of the vignettes in the study.

Table 50. Path coefficients: Familiarity with professional codes of ethics issued by professional accounting bodies (PCE)

Models	V1			V2			V3			V4		
Measures	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)
PCE -> EA	0.056	0.703	0.482	-0.090	1.385	0.166	0.071	0.897	0.370	-0.075	1.104	0.270
PCE -> EJ	0.152	2.214	0.027	-0.106	1.576	0.115	0.083	1.083	0.279	0.059	0.943	0.346
PCE -> EI	0.020	0.271	0.786	0.152	3.717	0.000	0.048	0.908	0.364	0.145	2.758	0.006

Source: Author

9.3.4 Research Question 5: Does moral intensity influence the ethical decision-making of accountants in Sri Lanka?

The four vignettes used in this study all represent unethical actions, of varying degrees, which can be commonly found in the work setting. As argued by Jones (1991), building in differences in the ethical intensity of each vignette is, therefore, essential in ascertaining the influence of moral intensity. Table 51 indicates the path coefficients of the three moral intensity components.

For the *accepting gifts vignette*, magnitude of consequences was the best predictor of all three steps (EA: PC = 0.193, $t = 3.004$; EJ: PC = 0.199, $t = 3.154$; EI: PC = 0.258, $t = 4.640$). The extent of social agreement surrounding the issue of *accepting gifts* increased ethical judgement. The path coefficients were positive and significant in this situation (PC = 0.135, $t = 2.254$). For the same situation, temporal immediacy was the best predictor of ethical intention (PC = 0.240, $t = 4.294$). Overall, magnitude of consequences was a good predictor of the three steps of the ethical decision-making process, whereas the other two components (social consensus and temporal immediacy) appeared to be moderate predictors.

As indicated in Table 51, in the second vignette—*adjusting financial statements*—all three moral intensity components were the best predictors of ethical intention (MC: PC = 0.358, $t = 5.543$; SC: PC = 0.082, $t = 2.335$; PC = 0.350, $t = 5.593$), but not for the other two steps: ethical awareness and judgement. Hence, it can be suggested that all three components were good predictors of ethical intention.

For the *stealing confidential information* vignette, ethical intention was influenced by magnitude of consequences (PC = 0.353, $t = 5.571$) and temporal immediacy (PC = 0.128, $t = 1.983$). However, social consensus was one of the best predictors of ethical judgement in the third vignette (PC = 0.167, $t = 2.517$). Thus, all three components of moral intensity seemed to be moderate predictors of the ethical decision-making process.

Table 51. Path coefficients: MC, SC, and TI

Models	V1			V2			V3			V4		
Measures	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)	Path coefficient (PC)	<i>t</i> statistics (<i>t</i>)	<i>p</i> value (<i>p</i>)
Magnitude of consequences												
MC -> EA	0.193	3.004	0.003	-0.083	1.281	0.200	0.088	1.297	0.195	-0.107	1.822	0.068
MC -> EJ	0.199	3.154	0.002	0.043	0.663	0.507	0.034	0.487	0.626	0.157	2.650	0.008
MC -> EI	0.258	4.640	0.000	0.358	5.543	0.000	0.353	5.571	0.000	0.202	3.384	0.001
Social consensus												
SC -> EA	0.045	0.691	0.490	-0.055	0.906	0.365	0.036	0.569	0.569	0.093	1.364	0.173
SC -> EJ	0.135	2.254	0.024	-0.015	0.254	0.799	0.167	2.517	0.012	-0.034	0.564	0.573
SC -> EI	0.007	0.155	0.877	0.082	2.335	0.020	0.051	1.033	0.302	0.051	0.902	0.367
Temporal immediacy												
TI -> EA	0.100	1.773	0.076	-0.041	0.530	0.596	-0.045	0.659	0.510	0.266	4.105	0.000
TI -> EJ	0.075	1.441	0.150	-0.047	0.662	0.508	0.123	1.786	0.074	0.095	1.489	0.137
TI -> EI	0.240	4.294	0.000	0.350	5.593	0.000	0.128	1.983	0.047	0.168	2.775	0.006

Source: Author

The fourth vignette presented the *making extra-ordinary payments* scenario, a very common scenario in Sri Lanka. Significant positive relationships were found between magnitude of consequences and ethical judgement (PC = 0.157, $t = 2.650$) and intention (PC = 0.202, $t = 3.384$). In addition, temporal immediacy was the best predictor of both ethical awareness (PC = 0.266, $t = 4.105$) and intention (PC = 0.168, $t = 2.775$) in this fourth vignette. The path coefficients were positive in all these instances. Thus, it can be concluded that magnitude of consequences and temporal immediacy were good predictors of ethical decision-making processes.

9.4 Summary

The chapter discussed the empirical data analysis of quantitative data collected through a questionnaire survey. In summary, overall, the accountants in Sri Lanka demonstrated a high degree of ethical recognition, judgement, and intention to act when facing various ethical issues. The statistical analyses indicated that the multiple factors associated with Rest's (1986) ethical decision-making process depend on the type of ethical issue embedded within the vignette.

In relation to individual demographic variables, there were several significant differences in the ethical awareness, judgement, and intention which related to the gender, age, education level, and family background of participants. Among these, gender and religion were the strongest predictors in all of the three stages of the ethical decision-making process for accountants in Sri Lanka. While accountants' family background and upbringing impact ethical awareness, the age of accountants influenced only the ethical intention of accountants. Accountants' academic and professional qualifications had an influence on both ethical awareness and intention. In terms of religiosity, the results indicate that extrinsic religiousness was a predictor of ethical awareness in Sri Lankan accountants and it had a positive impact. Other than that, no impact was found on ethical judgement and intention. Further, intrinsic religiosity has no impact on any of the stages of the ethical decision-making process, suggesting participants' actions may not be influenced by Buddhist ethics.

There were also several organisational factors that influenced the ethical decision-making process. While the type of organisation impacted on awareness and intention, the accountants' management level and their years of work experience influenced all three stages of the ethical decision-making process. With regard to the three organisational culture types used in this study, it was found that unethical tone at the top impacted ethical awareness in the first vignette and intention to act in the fourth vignette. While unethical pressure influenced ethical judgement in vignettes 2, 3 and 4 (but not the first vignette), lack of timely payments impacted on the ethical intention in three of the vignettes (V1, V2, and V4), but not the third vignette.

With regard to professional variables, familiarity with the professional codes of ethics issued by the professional accounting bodies in Sri Lanka had one significant relationship with ethical judgement and two with ethical intention, each in a different vignette.

In general, moral intensity dimensions significantly predicted the ethical decision-making of Sri Lankan accountants in this study. Accordingly, the magnitude of consequences and temporal immediacy significantly predicted Sri Lankan accountants' ethical decision-making stages in multiple vignettes, while social consensus had limited impact on ethical judgement.

Using quantitative findings, this chapter discussed and answered four of the study's research questions in order to identify strong predictors of ethical decision-making processes of Sri Lankan accountants. These quantitative findings and the role of these predictors as explained in the previous chapter using qualitative findings will now be combined in the next chapter to develop the study's ethical model.

Chapter 10

Development of an Integrated Ethical Decision-making Framework for the Sri Lankan Accounting Profession

10.0 Introduction

The previous three chapters presented the interview findings and questionnaire results and answered six of the seven research questions posed for this study. Integrating these findings with the literature where necessary, this chapter discusses the seventh and overarching research question of the study “Can an integrated ethical decision-making framework for Sri Lankan accountants be developed?”

The chapter commences by presenting a framework of analysis of factors influencing the ethical decision-making of Sri Lankan accountants. It illustrates the decision-making process and factors that influence the process in a three-layered framework. The second section discusses how corruption acts as a major constraint on the framework of analysis in terms of the Sri Lankan context. This section also highlights that corruption gives rise to wicked ethical dilemmas; and is, thus, *a wicked problem*. In response to this circumstance, the third section offers two types of recommendations for the purpose of improving the ethical decision-making of accountants: first, a checklist to help professional accountants to resolve ethical dilemmas, and second, recommendations for improving the framework of analysis. The chapter concludes with a summary.

10.1 Development of Framework of Analysis of Factors influencing Ethical Decision-making of Sri Lankan Accountants

The literature and findings of the study demonstrate that an individual accountant’s ethical decision-making is not straightforward but complex and multifaceted (see, for example, Lehnert et al., 2015). Integrating the interview and questionnaire findings discussed in the previous three chapters led to and guided the identification of the wide range of factors that Sri Lankan accountants should consider when they are confronted with decisions that create ethical dilemmas. The findings of this

study meant that the final model had to deviate from the existing linear models in the literature and the earlier proposed framework depicted in chapter 5 of the thesis. The choice of a concentric ellipse allows all those factors that influence the ethical decision-making process of accountants in the Sri Lankan context to be captured more accurately and dramatically than would be possible with any other design, including a square or circle. Figure 22 depicts the key components of the framework with the ethical decision-making process sitting at the centre of the framework and three layers, namely inner, middle, and outer layers, representing various factors that influence ethical decision-making. Based on the findings, this section discusses the key components of the framework, along with the weaknesses embedded in such components.

An individual accountant's ethical decision-making process

The central core of the framework depicted in Figure 22 explains the decision-making process. The ethical decision-making process reflects the basic process proposed by Rest (1986), and includes awareness, judgement, intention, and behaviour. The findings suggest that these four steps are linked with each other; therefore, the process shown in Figure 22 is unique in that it is nonlinear, showing the reflexive nature of the process. Although a variety of ethical decision-making models (Jones, 1991; Rest, 1986; Schwartz, 2016) depict a linear process, Rest (1986) suggests a more interactive process which has not been developed so far: “I do not intend to create the impression that the four components depict a linear sequence in real time [emphasis added]” (p. 5). In line with Rest (1986), this study's framework, therefore, adopts his ethical decision-making process, but as a nonlinear process.

As the findings in chapter 7 revealed, accountants appear not to follow a systematic ethical decision-making process when confronted with specific vignettes, possibly as a result of a lack of understanding of a systematic process or various other constraints. This approach may possibly reflect practice, and that various factors in the three layers of the model (discussed in the next paragraphs) which often overlap and occur contemporaneously, thereby randomly impacting every step of the decision-making process: awareness; judgement; intention; and, ultimately

behaviour. The framework helps to understand the interplay of its elements in ethical decision-making rather than in a formalised process.

The inner layer: Ethical philosophies

As identified in chapter 7, the inner layer includes ethical philosophies/theories including rule/act utilitarianism, deontology, rights, justice, and religious ethics principles. The findings suggest that the rationales used to justify accountants' decisions can be interpreted using ethical philosophies included in the framework. While it was a significant finding that the majority of accountants considered consequences, impacts of rights and fairness to stakeholders, very few Sri Lankan accountants were motivated to make decisions based on their religious principles. This finding is surprising given that 78% of Sri Lankans are Buddhists.

The incorporation of ethical theories into the framework of analysis for this study is consistent with Hunt and Vitell (1986), who include deontological and teleological evaluations in their model. In addition, Ferrell and Gresham (1985) apply several ethical theories (utilitarianism, rights, justice, deontology) in their model, implying that the theories are reflected in the decision-making process.

The middle layer: Factors influencing ethical decision-making process

The extant literature and the findings of the study indicated that, while an accountant's ethical decision-making is contingent on many factors, including the situation (moral intensity i.e., magnitude of consequences, temporal immediacy, and social consensus), profession (code of ethics), and organisation (culture and corporate codes), ethical decisions are ultimately related to the individual's persona (gender, age, education, work experience, religion, and religiosity). In the preliminary integrated ethical decision-making framework shown in Figure 9 (See chapter 5), moral intensity is shown as influencing the four components of Rest's ethical decision-making process which are presented as core of the revised model in Figure 22. While showing moral intensity as impacting the ethical decision-making process appears to be intuitive, the findings of the study suggests that accountants will behave differently from issue to issue. In addition, the interview and questionnaire findings suggests that moral intensity factors could alter the relative importance of other factors in the middle layer. All these factors are shown

in the middle layer in Figure 22 and establish a context within which accountants recognise situations, make judgements, have intentions to act, and exercise behaviour.

As evidenced in the interview and questionnaire survey findings (chapters 8 and 9), it is difficult to establish consistent roles for the influence that each factor has on the ethical decision-making process of Sri Lankan accountants. These findings are not surprising, given the mixed findings of prior studies (Musbah et al., 2014; Pierce & Sweeney, 2010). The mixed and inconclusive findings of this study suggest that there are undoubtedly different interpretations as to which factors, and to what extent certain factors, can influence the ethical decision-making process of accountants.

In addition to the questionnaire findings, the key interview findings with regard to the limited role played by several factors in the middle layer can be synthesised as follows: the disorganised education system (academic and professional) (AM4, BM13, GM2); politicised nature of current education system (AM5, BM10); lack of religiosity (particularly intrinsic motivation) (BM12, AM10); lack of available corporate codes; organisational pressures and lack of punishments (BF1, BM5, BF6); and, inadequate application and execution of professional accounting bodies' codes (BM3). These limited roles represent inherent weaknesses in the framework that challenge Sri Lankan accountants' understanding of an ethical decision-making process and to act ethically. Nevertheless, the findings also suggest that ethics education, corporate ethical codes, ethics training, and proper implementation and enforcement of ethical codes by professional accounting bodies are needed to improve these accountants' ethical decision-making behaviour.

The outer layer: The external environment

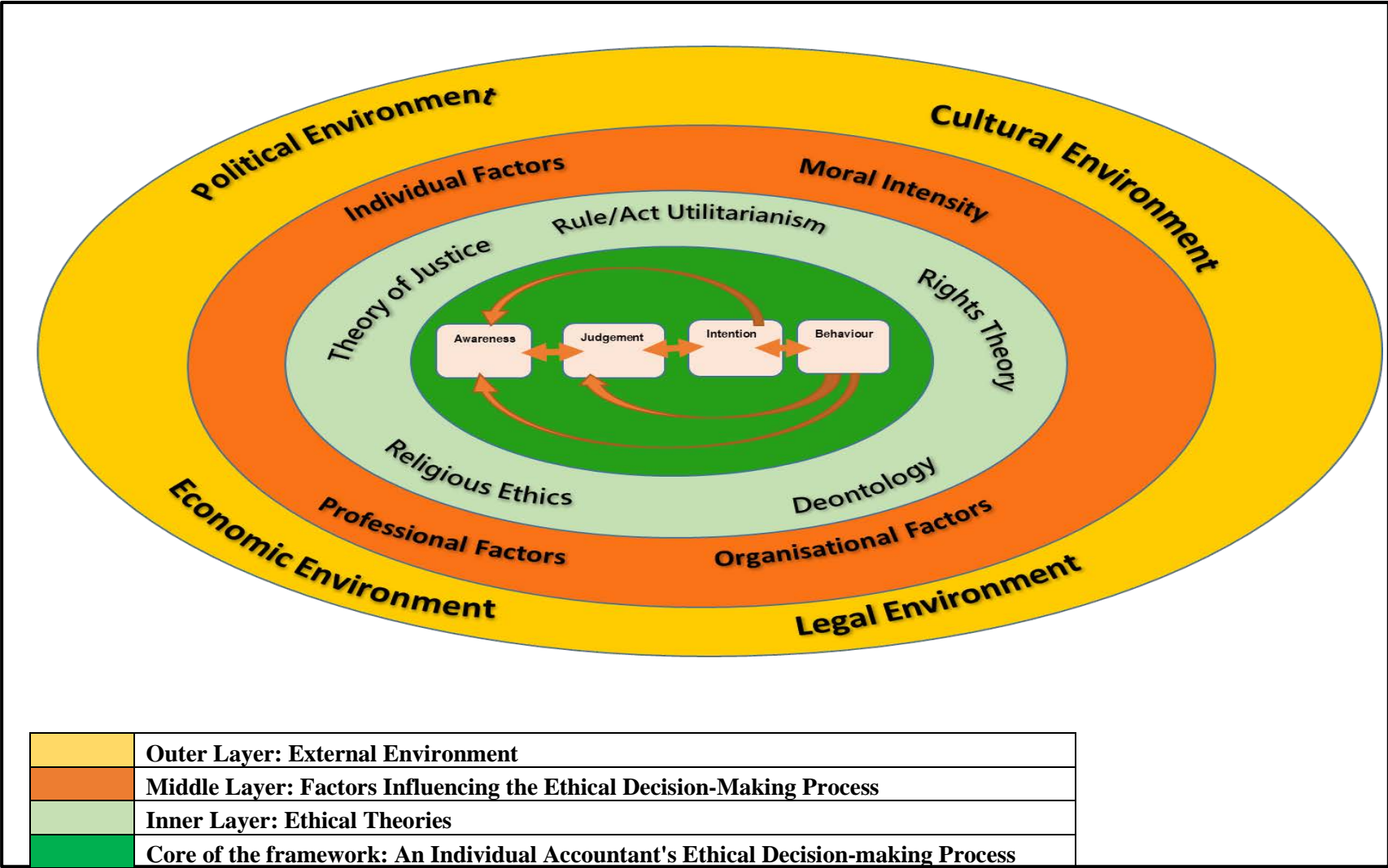
As depicted in Figure 22, the outer layer of the framework represents the external environment in which the individual accountant finds her/himself. It consists of cultural, political, legal, and economic environments.

This study's external environment, in particular the Sri Lankan culture, is unique, partly because Buddhism is central to most individuals' lives (Berkwitz, 2006).

However, it appears that religion and religiosity have little impact on individuals' actions. The findings show factors such as greed, power, and material values as having overridden Buddhists' religious values of care, honesty, integrity, compassion etc. It is important to understand that Sri Lanka, as a developing country, differs from developed countries in terms of its external environment and institutional infrastructure. Hopper et al. (2017) show several factors that constrain development in developing countries in general, including economic poverty, poor education systems, corrupt governments, and war. In particular, as argued by Yapa et al. (2017), the Sri Lankan accounting profession has also been seriously influenced by market imperfections along with a lack of technical advancement, social, political, and proper legal infrastructure. The interviewees of this study also identified the following weaknesses in the external environment that can affect an accountant's ethical decision-making: corrupt political systems; lack of legal regulations; deficiencies in law enforcement; the impact of bribery; and, corruption at every level of society.

As explained in chapters 1 and 2, Sri Lanka, a developing country, is seen as one of the most corrupt nations in the world (Transparency International, 2016); thus, it has lower ethical standards than those found in developed countries (Burnaz et al., 2009). As evidenced by media reports and the study participants' own observations, widespread bribery and corruption are prevalent, institutionalised, and taken for granted in Sri Lanka (see views of GM12, AM5, and GM9 in chapter 7). As a result, individuals in this society are more inclined to exploit the defects of a corrupt environment through unethical decision-making. When accountants operate in such contexts, it is challenging to be ethical. With that in mind, the next section will look at the applicability of the framework to the Sri Lankan context.

Figure 22: Framework of Analysis showing factors that influence the ethical decision-making of accountants.



Source: Author

10.2 Applicability of the Framework in the Sri Lankan Context

As discussed in the previous section, the framework explains that accountants' ethical decision-making process is impacted by numerous factors, including existing rules and regulations, and norms in organisations and society that are mainly constrained by underlying widespread corruption. Under these conditions, there is an increased possibility that a Sri Lankan professional accountant will act unethically. Therefore, corruption is arguably seen as placing a major constraint on the framework of analysis.

10.2.1 Corruption as a major constraint on the framework of analysis

The study participants identified corruption as one of the key constraints at all layers of the framework of analysis. As corruption is widespread at every level of Sri Lankan society, professional accountants are challenged to act ethically within the boundaries of the given framework. It is evident that even when an accountant intends to act in accordance with a professional code of ethics, his/her intention may be blocked by the existence of a corrupt environment (organisation/profession/external environment). In that context, it is, therefore, uncertain whether the initial framework of analysis will operate in the context of Sri Lanka. Thus, this discussion draws upon a number of situations in order to understand how corruption constrains the framework of analysis from operating for Sri Lankan accountants at the external environment, professional, and organisational levels.

At the external environment level

A closer look at corruption in Sri Lanka reveals that it has permeated the whole external environment. Political corruption where politicians and bureaucrats take bribes or use state resources for personal gain is common in Sri Lanka (GAN Business Anti-Corruption, 2017). These types of corruption include government leaders or top bureaucrats taking bribes for personal gain, wastefulness, and extravagances paid for by public funds. Several other examples can be provided in this regard such as in the awarding of jobs or political positions or bureaucratic positions (Lindberg & Orjuela, 2011). As a result, it is very common for the Sri

Lankan political system to involve the misuse of power either in the form of money or authority in ways not often seen in the Western world. In the case of the Golden Key debacle, a participant, BM10 perceived the payment of money to Golden Key depositors by the government as follows: “he [the CEO of Golden Key Company] is closely connected to somebody else [influential person in the government].” It was also evident that South Asia’s biggest VAT fraud in 2004 (see chapter 3) was committed by a group of influential people, some of whom were connected to the Treasury, the Finance Ministry, politicians, businessmen, and the Inland Revenue Department (Samarasinghe, 2006).

Lindberg and Orjuela (2011) provided another example from Sri Lanka “where the boundary between corruption and politics is blurry [as] regards nepotism” (p. 213). Sri Lanka’s political families dominate the country’s highest political echelons. In particular, many past presidents’ family members have taken favouritism to unprecedented levels (Lindberg & Orjuela, 2011). As Khera (2001) explains, “one person acquires a position of power, the whole family begins a feeding frenzy at the public trough” (p. 35). If government leaders in a democratically elected government engage in corrupt activities, they are not setting a good example for the public to follow.

Corruption is embedded at the institutional level due to poor rules and regulations and inefficient administration. One concern is high corruption levels in the judicial system, for example, the decision of the Central Bank of Sri Lanka to establish Pramuka Bank when there was no regulatory framework for private sector savings banks (Abeyasinghe, 2013). As explained in chapter 3, the Pramuka Bank collapsed due to corrupt activities by the professionals in the bank in the absence of a regulatory framework. Another example would be that there are loopholes in the legal system that allow culprits to escape punishment (see chapter 1 for the interview proceedings with Dr Wickrema Weerasooria). This situation has occurred in many corporate collapses such as Pramuka Bank, and Golden Key and in a number of fraud cases. In this sense, Nanayakkara (2013) believed that “if the company law regime in Sri Lanka stringently demanded the duties of directors vis à vis the stakeholders of the company, many of the corporate collapses that occurred

during the recent past would have been circumvented” (p. 329). Such situations of lawlessness and impunity create opportunities for corrupt activities.

In addition, businesses do not have confidence in the judiciary’s independence and its ability to settle disputes efficiently and challenge government regulations (World Economic Forum, 2014). For example, bribes in return for favourable judicial decisions are common (GAN Business Anti-Corruption, 2017). In addition, there are instances of manipulation of judicial decisions due to political appointments at every level and intimidation and transfer of judges (GAN Business Anti-Corruption, 2017). In this context, the laws are not enforced with impartiality in the existing legal framework. For example, despite the fact that anticorruption laws and the Bribery Commission have been established in Sri Lanka, one participant, GM12, argued that “I do not know about the effectiveness of the commission [Bribery Commission] and the final outcome,” which means that the Commission’s handling of corrupt activities appears problematic. The interviewees believe that it is difficult to act ethically in this environment.

In Sri Lanka, corruption appears to have become a social norm. Pavarala and Malik (2012) perceive corruption as “a lively reality embodied in social and cultural practices” (p. 61). A further aspect of the problem is that the political system is infused with a culture of patronage (Lindberg & Orjuela, 2011). It is hard to introduce reforms in Sri Lanka where there is a strong belief that such traditions will continue to endure. However, Sri Lankans are assumed to be religious individuals who are brought up in a society where Buddhism is central to many individuals’ lives. In particular, Buddhism teaches about good and evil, saints and sinners, and the good values that build society versus the greed, lust, indolence, pride, and violence that are prioritised in today’s society (Keown, 2005). It nonetheless appears that from the interviewees’ perspective, factors such as greed, power, and money (Bakre, 2007) appear to have overridden the religious values of care, honesty, integrity, and compassion inherent in Buddhism. Most importantly, when the cultural environment is corrupt, such cultural values are transmitted to people through a process of learning and interacting with their background (Pavarala & Malik, 2012). It appears that both religions and religious leaders in Sri Lanka are exploited through corruption (GM10). Sri Lankan society is placing

greater importance on materialism and the recognition accorded to wealth and success, even if achieved by unethical methods. Issues of morality and ethics are given less importance in such a context where corruption is so endemic that it has become part of the culture.

It is argued in this study that the corruption and the components of the external environment are interrelated, which, in turn, influences the ethical behaviour of Sri Lankan individuals at their personal and work lives. The Sri Lankan accountant's role, therefore, seems more challenging as a result of the country's corrupt environment. As Kramer (2010) argued, corruption is undoubtedly a "wicked problem" and this view is true for Sri Lanka too. Sri Lankan society's underlying, yet widespread corruption can give rise to "wicked problems," Therefore, corruption can be considered as one of the "the key constraint to the framework." As explained by Rittel and Webber (1973), wickedness refers to complexity; as a result, such problems have no correct answers, have no rule that stops them, and are essentially symptoms of other interconnected issues (see section 10.2.2).

The above discussion exhibits the need to tackle and resolve the pernicious problem of corruption. In particular, in the Sri Lankan context, better political leadership for a democratic society, strong rules and regulations, and robust law enforcement are vital in tackling corruption. These issues will be discussed in section 10.3.2 of this chapter.

At the professional and organisational level

Given the corrupt external environment in Sri Lanka, corrupt professional and business environments are inescapable. One useful starting point for a discussion of this issue would be to draw upon the opinion voiced by BM10: "All the professional bodies are crooks. They make the law as well [as] they break it." As explained in chapter 7, politicisation of the country's professional accounting bodies is basically linked with corruption. In the case of Sri Lanka, Yapa (2006) argues that "professional associations are seen basically as political bodies established and maintained to define, and enhance the symbolic and material value of their members' skills and qualifications" (p. 460). In that context, it is not clear

whether, due to tensions between the profession and the state, professional accounting bodies in Sri Lanka do act appropriately in guiding accountants in practice and in business in order to be well thought of by society. In other words, if professional accounting bodies cannot maintain their independence from the state, how can they ensure the ethics of members of professional accounting bodies?. As a result, the accountant's role seems more challenging.

It is evident that accountants who have more power seem to be influential through favouritism from their bias and conflict of interest. Several interviewees suggested that in no circumstances have the wrong-doings of accountants been reported by professional accounting bodies. This opinion is supported by one accountant (BM3)'s statement: "I have never seen any professional body [in Sri Lanka] cancelling any membership, or putting penalties or fines for unethical behaviours." For example, in a case that involved the misconduct of two Big 4 firms in Sri Lanka regarding the privatisation process of a major state corporation (see chapter 3 for the case), only one firm was investigated (Yapa et al., 2017). The reason for not investigating the other three Big 4 firms is that one of the partners in one of those Big 4 is also a member of the CASL council (Yapa et al., 2017). Thus, it can be argued that the situation demonstrated pure favouritism that is, having bias in decision-making. Such behaviour can be due either to a lack of regulations or simply to the ignoring of existing rules. Yapa et al. (2017) further argue that, being the statutory body, CASL has a legal obligation to follow up on complaints of professional misconduct and fraud by its members. Professional associations should work for the public interest not private interests. For instance, there are rules to govern auditors' conflicts of interests in the Western world such as the US' Sarbanes-Oxley regulations (Yapa et al., 2017).

As Sikka (2004) argued, professional misconduct by organisations, particularly international firms, is more evident in developing countries. Various pressures may create an unfavourable culture within organisations through corruption in external and professional environments (see, for example, the views of BM12 and BF6 in chapter 7). In that context, blatant corruption may motivate accountants to act unethically for personal gain and/or to get gains for the superiors/peers in their organisations at the expense of other stakeholders. In particular, government

employees, including accountants, are pressurised from the top through political intervention (see GM12's account⁴⁰). As evidenced in chapter 2, several frauds and scams have occurred in government organisations, including those surrounding Ceylon Electricity Board and Sri Lanka Insurance Corporation. The organisational culture revealed within such organisations also suggests that supporting colleagues by not "blowing the whistle" is likely to be more acceptable in a country like Sri Lanka than in other parts of the world. The GAN Business Anti-Corruption Report (2017) on Sri Lanka noted a high level of bribery, including facilitation payments paid to avoid bureaucratic red tape, bribe solicitation by government officials, nepotism in the government sector, and in recruitment and promotions (GAN Business Anti-Corruption, 2017). As the findings for the fourth vignette indicated, facilitation payments are very common in Sri Lanka (see views of GF5, BM12 and GM9 in chapter 7). Lewellyn and Bao (2017) argue that in highly corrupt countries corruption is an overriding social norm that is readily accepted, and unethical behaviour is more likely to be viewed as legitimate. When compared with its acceptability in the Western world, bribery itself is seen as more acceptable in Sri Lanka, because practices such as bribery have now become a societal norm among individuals and organisations.

On the one hand, corruption appears as "an efficiency-enhancer for firms" (Seck, 2017); hence, in the literature, it has been viewed as a way of "greasing the wheels of commerce" (Demenet, Ho, & Morcillo, 2017). In that sense, corruption may help organisations that are seeking to maximise profits to lessen the burden of an inefficient business environment. When explaining his decision to the fourth vignette, *making extraordinary payments*, BM12 states that "without making bribes, it would be difficult to get things done through government institutions in Sri Lanka." Bribes, therefore, can be seen as a price that has to be paid in order to

⁴⁰GM12 explained his own experiences on how his firm was pressured by management through political interventions as follows: "In 20XX it was an election period.... The Government was ready to give a loan of Rs.50 million and I had to recommend it. At that time when I saw the cash forecast for 5 years I understood that this company cannot move. So, I did not recommend and made a minute.... My boss looked at my minute and told me, "Think of some way to do this." Then, I put down more than 12 assumptions and I said that if these do not happen, then it is okay. I still feel guilty because I made that recommendation, to get that Rs.50 million for the company. It is still in the ledgers and not a single cent has been recovered. Now the company is also not functioning.... I know the pressures were from the government that time."

reduce unnecessary and costly delays, or in many situations to reduce the actual cost of acquiring public services.

On the other hand, the opposite side of this argument is that corruption “sands the wheels of commerce” and that it is seen as an additional contributor to the unfriendly business environment (Seck, 2017). As Burke and Tomlinson (2016) stated, corruption can be seen as a negative phenomenon; in particular, it has serious adverse impacts on the external environment of Sri Lanka as a whole. It is worth noting here that one accounting professional, GM9, claimed that: “Somebody should stop this [corruption] somewhere.” However, the issues raised in this section suggest that the endemic corruption in Sri Lanka creates a challenging environment for organisations and for accountants in terms of their ethical decision-making.

10.2.2 Ethics coupled with corruption: A “wicked problem”

Sri Lankan society’s underlying widespread corruption can give rise to “wicked problems,” as explained in the previous section of “the key constraint to the framework.” One way of characterising the ethical dilemmas that accountants typically encounter is to define them as what Rittel and Webber (1973) called wicked problems. Their discussion of wicked problems was concerned with ethical issues; there, wickedness refers to complexity. However, according to Head (2008) complexity itself is not enough to trigger a wicked problem, but uncertainty and value divergence are clearly constituent features of wickedness. As a result, such problems have no correct answers, have no rule that stops them, and are essentially symptoms of other interconnected wicked problems.

Ha-Brookshire et al. (2017) classify morally challenging situations based on the complexity of the ethical dilemma, i.e., either simple or wicked. If the ethical dilemma is simple, an accountant can act ethically within the boundaries of the initial framework of analysis. However, often in “certain wicked situations” that are common in a country like Sri Lanka where corruption is pervasive, accountants may, in practice, act either ethically or unethically (see, for example, the ethical dilemma presented in video vignette four). Most ethical situations can be “wicked problems” which are difficult if not impossible to solve due to the complex nature of an

external environment that is beyond the ability of accountants or organisations to control. According to Howes and Wyrwoll (2012), corruption remains a pervasive hindrance to improved environmental protection. They also argue that “Tackling corruption is a wicked problem in itself” (p. 348).

Corruption is just a one wicked issue. However, it can be interconnected to many other wicked problems in contemporary developing nations such as Sri Lanka. Parrott (2017) states that many problems in environmental management and sustainability are wicked too. Examples of such social problems would be drug abuse, child protection, natural disasters, and global warming (Alford & Head, 2017). In such a context, when faced with wicked issues, accountants may not circumvent the social, political, environmental, economic, moral and technical uncertainties of wicked problems.

As Rittel and Webber (1973) explain, “every solution to a wicked problem is a ‘one-shot operation’; because there is no opportunity to learn by trial and error, every attempt counts significantly” (p. 163). Therefore, the “final decision” made in ethical dilemmas, simple or wicked, is crucial for all professionals, including accountants. Every effort should be made to minimise corruption, and, thus, “wicked ethical dilemmas.” Towards this end, the study proposes following key recommendations in order to improve the ethical behaviour of accounting professionals and to establish ethics-friendly environments within organisations, accounting profession and in the broader Sri Lankan society.

10.3 Key Recommendations of the Study

The above discussion highlights the practical difficulties of implementing any ethical framework in the context of Sri Lanka. Towards this end, the study offers two key recommendations:

1. A checklist for professional accountants to resolve ethical dilemmas (see section 10.3.1)
2. Recommendations to improve the framework of analysis (see section 10.3.2)

10.3.1 A checklist for professional accountants to resolve ethical dilemmas

As a contribution to practice, the first recommendation is to suggest a checklist based on the findings of the study that accountants can use to assess each step of the ethical decision-making process. The foundation for this checklist is Rest's (1986) four-step framework which has been expanded to align with the Sri Lankan context (see Figure 23).

Step 1: Awareness

This study found clearly that all the participants began their decision-making process with a consideration of the facts around the dilemma. Therefore, the primary question in the checklist in step 1 should be: "Am I aware of the ethical dilemma inherent in this situation?" In order to answer that question, an accountant should identify several possible courses of action, even though it is unlikely that any one individual could identify a complete set of possible alternative courses of actions (Hunt & Vitell, 1986). In doing so, an accountant should evaluate each of these possible courses of action on the basis of the stakeholders who will be affected by the decision and the impacts and consequences for those stakeholders of each potential decision (Lampe & Finn, 1992). If all feasible information in step 1 has been gathered, the decision-maker is ready to move on to step 2—judgement.

Step 2: Judgement

Having completed step 1, the accountant is now ready to make a judgement. The primary question here would be: "What is my best ethically sound course of action among the possible alternatives?" As shown in the checklist in Figure 23, accountants may draw upon the judgement they have derived from their ethical analysis in order to assess the ethicality of the best course of action by examining the following: the consequences of that particular course of action (i.e., its legality as regards the Anti-Corruption Act, the IFAC's ethical code, and corporate codes of ethics); rights and duties affected, including fairness and those protected by law; motivation of religious perspectives. For example, the study participants mostly judged the seriousness of consequences of the decision. In making judgements, accountants can use one consideration or a combination of considerations. However,

if any accountant thinks that he/she is unable to judge the best course of action on the basis of the current information at hand, he/she should return to step 1 to review their awareness of the facts surrounding the dilemma.

Step 3: Intention

Once an accountant arrives at a judgement, he/she next makes an intention to act. Nonetheless, as rational individuals, accountants in a corrupt society may tend to assess other concerns such as their self-interest, including their own career advancement and economic benefits (Lampe & Finn, 1992). For example, violation of rules in the *accepting gifts vignette* could alter the value an accountant placed on the gift offered. However, when prompted at interview, the majority of participants did place ethical concerns as a high priority ahead of economic concerns. Therefore, accountants should ask: “Have I prioritised ethical concerns ahead of economic concerns?” If the ethical values associated with the best course of action have been considered, the accountant may then proceed to the next step or return to either the second or first step, as depicted by the arrows.

However, in the Sri Lankan context, it is not expected that accountants will always perform in a manner consistent with their ethical intention to do what is right due to other constraints. In some instances, accountants are at times put under pressure to act contrary to their professional ethics. As shown in the grey box in Figure 23, before acting, an accountant needs to ask this important question: “Are there any other constraints blocking my intention to act?” These constraints can be either any pressures from within the organisation, the profession, or the external environment. As argued by Ruud (2000) corruption, in its many forms, is tricky to understand even for the professional accountant. If an accountant is faced with such situations, she/he has to reassess her/his ethical versus nonethical values here. This extension to Rest’s (1986) third step of “intention to act” seems crucial when there is a need for accountants to consider the situation, assessing all the possible factors blocking their intention to act in the Sri Lankan context, particularly if they have missed anything out in the earlier steps. This is one of the extensions made to Rest’s (1986) model in the context of Sri Lanka.

Step 4: Behaviour

At this stage, the accountant should act. Professional accountants can expect to face various ethical situations, either simple or wicked; as a result, they can anticipate pressures to act contrary to ethics or legislation. Lampe and Finn (1992) have also argued that it is not expected that auditors will always perform in a manner consistent with the decision to do what is right. Therefore, as shown in Figure 23, accountants have basically three choices: to act ethically, to act unethically, or to return to the first step of the process.

Option 1: Act ethically

If no “wicked” factors constrain the professional accountants’ ethical intention, they can act ethically and without any issues. If the ethical dilemma is simple, an accountant can act ethically within the boundaries of the initial framework of analysis. Even in some wicked instances, accountants can still act ethically if they can withstand “wicked” pressures in the organisation.

Option 2: Perform the unethical action; however, maintain documentation

In the real world, accountants are constrained to act unethically in some situations that could be a wicked ethical dilemma, i.e. those where other constraints will block the professional accountant’s ability to act ethically. The most likely constraint would be the corrupt environment in which the accountant operates. Under normal circumstances, the failure of professional accountants to follow the ethical principles laid down in their professional code of ethics could result in disciplinary action. However, in a developing country, this may not necessarily be possible in all situations and may give rise to acting unethically. In such situations, an accountant may perform the unethical action, provided the following conditions are satisfied: he/she may be able to justify acting unethically; the action is imposed on the accountant; he/she is prepared to face the future potential consequences. Nevertheless, accountants are advised to maintain documentation.

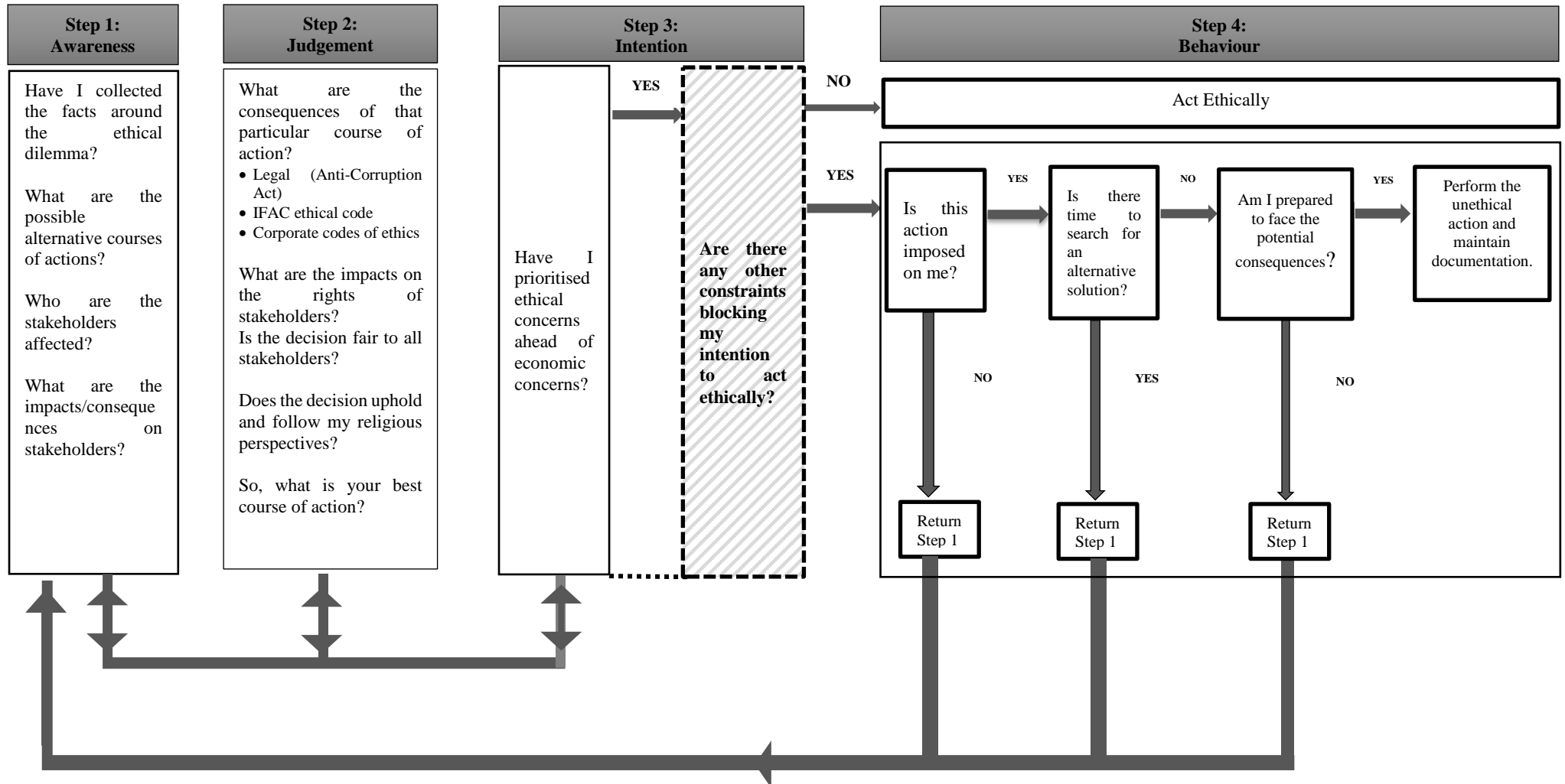
Option 3: Return to step 1

If the accountant does not choose option 2 above, he/she may begin the decision-making process again in three instances when: action is not imposed on the

accountant; he/she has time to search for an alternative ethical solution; and he/she is not prepared to face the potential consequences.

The checklist presented in Figure 23 represents a series of questions to be answered in each step at an individual level. In addition, this checklist can be considered as an extension to the Rest's (1986) model. Although this checklist provides guidance to accountants facing ethical situations, it also helps the accountant to select preferred outcomes from a set of alternative options. Moreover, this checklist can be a useful tool within a supportive organisational, professional, and societal context. Therefore, it is crucial to address the issues in the initial framework with an aim of improving the ethics-unfriendly environment. Therefore several recommendations are suggested and are discussed next.

Figure 23: An extension to Rest's (1986) ethical decision-making model: A checklist to enable accountants to resolve ethical dilemmas



Source: Adapted from Rest (1986) and extended by the author

10.3.2 Recommendations for improving the framework

Although this study developed an initial framework, it became clear that this framework would not be practical in the context of Sri Lanka. As shown in Figure 24, the addition of these recommendations for improving the framework is necessary in the long run as a way forward. Based on the explanations from the interviewees, all these recommendations follow from the study findings.

Recommendations to actors in the outer layer—external environment

As discussed in previous sections, issues in the external environment may not always allow accountants to act ethically. Therefore, as shown in Figure 24, six recommendations are suggested to improve the ethical environment for actors in the outer layer.

- The first recommendation is to set up independent committees, including groups of professionals, to monitor and regulate corrupt activities. These independent committees should study individual cases and implement penalties for unethical behaviour in an unbiased manner.
- Second, this study has suggested that it is necessary to formalise and document the policies and procedures for whistle-blowing.
- Third, the adequacy of existing laws, rules, and regulations, including anticorruption laws, should be assessed in order to make any revisions or enact new laws.
- Fourth, laws should be enforced properly. Many interviewees claimed that there are issues in enforcement of laws in general in Sri Lanka.
- Fifth, a rigorous monitoring process with preventive and punitive measures should be established.
- Finally, this study recommends a code of conduct for politicians, especially for members of parliament.

All these recommendations will enhance transparency in the activities of the government, judicial institutions, and politicians and help to create an affordable “ethical external environment,” which can combat corruption and fraud. These recommendations are important to stamp out corruption even though it appears

beyond the scope of the present study, because participants raised these issues during the interviewees.

Recommendations to actors in the middle layer—accounting profession and organisations

As shown in Figure 24, several recommendations are suggested in order to develop a transparent accounting profession and ethical organisational environment for accountants.

At the accounting profession level, with regards to the professional accounting bodies, three recommendations are provided:

- The first recommendation is to establish an independent ethics committee consisting of members from all professional accounting bodies, in order to oversee their primary obligations to protect the public interest. This recommendation is made mainly because, although Sri Lankan professional accounting bodies have a responsibility to ensure the ethical behaviour of accountants, they have been criticised for being unable to be independent (see the views of BM11, GM2, AM4). This committee should administer the effective implementation of codes of ethics and accounting and auditing standards. The committee should ensure the relevancy of the IFAC code of ethics that is implemented by the professional accounting bodies in Sri Lanka in terms of whether pertinent and contextual issues have been incorporated into the code when implementing it in the Sri Lankan context. For example, the committee should decide the adequacy of the provisions that deal with corrupt activities by members. Next, this committee should revisit the code carefully as and when IFAC changes are put into place.
- The second recommendation to individual professional accounting bodies is to implement effective enforcement plans. In doing that, the individual accounting bodies should implement a transparent system of disciplinary procedures against unethical behaviour, something which is currently lacking in Sri Lanka (Wickramasinghe, 2015). Furthermore, strict penalties should be proposed. At the same time, accounting bodies should encourage

the reporting of unethical behaviour through anonymous channels such as hotlines.

- Third, professional accounting bodies should take steps to improve professional education and training with a particular focus on ethics (see the views of GM2 in chapter 7). In particular, professional accounting bodies should structure professional accounting programmes so that they align with the continuing professional development (CPD) requirements in the IFAC's guidelines. To this end, it would be better to introduce a compulsory minimum requirement of CPD hours every year to cover the area of ethics for members of the professional accounting bodies, along with the mechanisms for enforcing and monitoring ethics (Wickramasinghe, 2015). At the same time, professional accounting bodies should offer a short, compulsory, interactive ethics module every year to keep members up to date with any changes to the code of ethics and the outcomes of the independent committee's reports.

With regards to universities at the accounting profession level, two recommendations are proposed (see, for example, the views of GM2, GM9, BM7, BM10 in chapter 7).

- It is recommended they include a compulsory ethics course in the academic accounting curriculum of their undergraduate degree programme. In addition, ethics should be integrated into all other relevant courses in the curriculum. Further, all degree-awarding institutions should work collaboratively with professional accounting bodies and implement an effective accreditation programme.

At the organisational level, recommendations are offered to accounting firms, businesses, and government organisations.


- Each individual organisation should develop an overall corporate code of conduct or code of ethics (BM2) and a separate code to guide each department if the organisation is very large. Developing these codes should be a collaborative effort and represent key members of every department at all levels. More importantly, an organisational focus on the ethical values at

the top of the organisation is needed to avoid potential ethical dilemmas that seem most likely to occur. These codes should include clear and comprehensive guidelines with provisions including rewards and punishment systems. From the insights of the findings, it is recommended that religious, particularly Buddhist, values, should be incorporated into corporate codes, enabling Sri Lankan individuals to apply these values within their work environment. As simply establishing codes is not sufficient, organisations should revisit and update these codes frequently.

- Second, the best way to educate employees on ethical behaviour is through training and education; that must be implemented and be part of the organisational culture. As a way of communicating ethical codes and ensuring that employees adhere to ethical values, organisations should provide employees with ethics training upon recruitment and through continuous refresher ethics workshops.
- Third, this study also suggests that it is necessary to formalise and document the policies and procedures for whistle-blowing in organisations. Specifically whistle-blowing can be used as a corrective mechanism embedded within Sri Lankan organisations, particularly government organisations

As shown in Figure 24, the suggested recommendations apply to the actor's decision-making in the outer layer and middle layer of the initial framework, and they may serve as useful contributions from this study.

Figure 24. Recommendations for the framework.

Outer Layer: External environment <i>Government and judicial institutions and politicians</i>			1	Set up independent committees with professionals to evaluate corrupt activities.		
			2	Formalise whistle-blowing policies.		
			3	Review and/or enact laws and regulations including anticorruption laws with a strong emphasis on ethics and strengthen the capacity of the regulatory bodies.		
			4	Enforce laws, rules and regulations and Ensure adequate enforcement measures are available.		
			5	Implement a rigorous monitoring process.		
			6	Introduce a code of conduct for politicians.		
Middle Layer	Accounting profession	Professional Accounting Bodies	1	Establish an independent ethics committee that includes all professional accounting bodies. - Review IFAC code of ethics, in particular, its applicability to the Sri Lankan context. - Update the IFAC code with provisions to deal with fraud and corrupt activities. - Revisit the code carefully as and when IFAC changes are put into place, and also at least once a year, and, preferably twice a year.		
			2	Ensure effective enforcement by all professional accounting bodies. - Offer a transparent system of disciplinary procedures against unethical behaviour. - Promote the use of anonymous channels, such as hotlines, to report unethical actions and set up an independent committee to hear such reporting.		
			3	Improve professional education and training with ethics focus. - Align continuing professional development (CPD) requirements with IFAC guidelines–minimum CPD hours in the area of ethics every year. - Offer a compulsory, short, interactive ethics module for professional accountants.		
			1	Universities	1	Improve ethics education by way of introducing a compulsory ethics course in undergraduate degrees and integrating ethics into other courses.
					2	Work together with professional accounting bodies.
			Organisations		1	Formalise corporate codes. - Include clear and comprehensive guidelines with provisions, including rewards and punishment systems. - Incorporate religious values within accountants’ professional or work environments.
					2	Conduct ethics training upon recruitment and provide annual refresher workshops.
					3	Formalise and document the policies and procedures for whistle-blowing in organisations including government organisations.
	 Individual Professional Accountants					

10.4 Summary

The aim of this chapter was to answer the seventh research question of the study, “Can an integrated ethical decision-making framework be developed for the Sri Lankan accounting profession?” To do so, this chapter constructed a concentric ellipse design framework to present the ethical decision-making process, and various other factors, by integrating the interview and questionnaire findings where necessary.

The initial framework of analysis evaluates the decision-making that is followed by an accountant when confronted with an ethical issue. The framework assumes that all four steps, namely awareness, judgement, intention, and behaviour are contingent on the particular accountant who is facing the ethical dilemma. The three layers of the process show ethical theories (inner layer), factors influencing the process (middle layer), and the external environment (outer layer). The interview and questionnaire findings suggest that it is difficult to establish consistent roles for the influence that each item has on the ethical decision-making process of Sri Lankan accountants. The framework suggests that the more complex the ethical dilemma, the more factors are considered to address the ethical dilemma.

Next, while the framework’s applicability in the Sri Lankan context was discussed, it was also clear that the framework would not work due to the underlying role of corruption in the Sri Lankan environment within which the accountant finds herself/himself. Given the major constraint of corruption, it is considered as a “wicked problem”. In that context, in order to address the practical difficulties of implementing any ethics framework in the context of Sri Lanka, the study suggests two types of key recommendations: a checklist for professional accountants to resolve ethical dilemmas and recommendations for improving the framework.

Chapter 11

Conclusion

11.0 Introduction

This concluding chapter reviews the thesis and explains how the research objectives have been achieved. This chapter recaps on the study's research objectives and questions, method, key findings, contributions, and implications before finally addressing the limitations of the study and offering suggestions for further research.

11.1 Thesis Review

Although a number of models have been developed and much has been discovered regarding the ethical decision-making process of accountants within organisations (Latan et al., 2017), a great deal still remains to be explored. In particular, the absence of ethical decision-making models for accountants in the context of a developing country is of interest to this study. Furthermore, the revelation of high profile corporate scandals and frauds, coupled with the high level of corruption within Sri Lankan society due to unethical behaviour of professionals, has highlighted the importance and the timely nature of this research into the ethical decision-making processes of Sri Lankan accountants, but also heightened awareness of, and interest in, accounting ethics in Sri Lanka more generally.

The primary objective of the study was to develop an ethical decision-making framework for the Sri Lankan accounting profession. To achieve that end, the study set three subresearch objectives and posed seven research questions (RQs). Together, these aimed:

1. To explain the nature of ethics and the ethical decision-making process of accountants in Sri Lanka (RQ1);
2. To examine the association of ethical theories with ethical decision-making (RQ2);
3. To identify various factors that influence the ethical decision-making process (RQ3-RQ6).

In order to achieve its objectives and answer these research questions, the study adopted a mixed methods approach using interviews and questionnaire survey. As part of that approach, four written and video-recorded vignettes were developed specifically for the study. The four vignettes illustrated the following Sri Lankan ethical dilemmas: *Accepting gifts; Adjusting financial information; Stealing confidential information from a competitor; Making extraordinary payments.* Participants in the study included accountants working in accounting firms, government, and business organisations. Forty semistructured interviews with professional accountants were conducted using the video vignettes, while 315 professional accountants completed questionnaires that include written vignettes were collected.

Several methods were used to analyse the data. The interview data were analysed using content analysis, and themes were generated to answer all of the research questions of the study. Parametric (*t*-tests and ANOVA tests) and nonparametric tests (Mann-Whitney *U* test, Kruskal-Wallis tests, and PLS-SEM) were employed to analyse the questionnaire survey data. The results of the interview and questionnaire data analyses were then discussed together in order to achieve the primary objective of the study.

11.2 Key Findings of the Study

This section summarises the key findings from the research, and, thus, indicates, whether its three subobjectives were achieved.

11.2.1 Perceptions of ethics and ethical decision-making by Sri Lankan accountants (RQ1)

Gaining insights into Sri Lankan accountants' understanding of ethics and the ethical decision-making process allowed RQ1 to be answered and, thus, the study's first research subobjective was achieved.

When prompted to elaborate on the meaning of ethics, the majority of the interviewees said that they viewed ethics as "professional rules"; some, however, viewed ethics as "personal values", especially Buddhist cultural and moral values.

These findings, therefore, suggest that, in general, Sri Lankan accountants do not, in practice, distinguish between ethics and morals due to the meaning of ethics itself being abstract in nature. This finding is in line with prior ethics research (Jones, 1991; Pojman, 1995; Tenbrunsel & Smith - Crowe, 2008). In addition, ethics and morals were viewed as complementary to each other. Given these findings, further study that explores both ethics and morals, and the distinctions between them, is required.

As the findings show, Sri Lankan accountants perceived accounting ethics as a professional attribute in maintaining public trust, and they highlighted the crucial role that ethics plays for accountants. However, this finding also indicates that ethical rules cannot be applied consistently in practice. In revealing the complexity around this issue, the current study echoes the work of prior researchers (Rest, 1986; Reynolds, 2006; Schwartz, 2016). Specifically, the accountants' role in the Sri Lankan context seems more challenging than that found elsewhere. Here, the participants cited the problem of corruption which they believed impacted Sri Lanka's professional, and business environment and, thus, individuals. These findings should be viewed in the light of Sri Lanka's unique culture which is rooted in Buddhism. In this context, these views reinforce the importance of developing an ethical decision-making framework for Sri Lankan accountants specifically, and, thus, the framework developed in this study makes an original contribution to the literature on ethics.

11.2.2 Association of ethical theories with the decisions of accountants (RQ2)

The answers to RQ2 indicated that a number of ethical philosophies/theories can be applied when interpreting the rationales Sri Lankan accountants offered for the decisions they made when faced with ethical dilemmas. Although the findings indicated that Sri Lankan accountants' decision-making centres primarily on rules, rights, justice, and deontological principles, religious ethics can also be interpreted as playing a part in their rationalisations. Generally, these findings suggest that, given various pressures in the corrupt environment imposed on accountants, they tend to follow rules in order to protect themselves. However, several accountants' use of religious ethics, including Buddhist ethics, to rationalise their decisions in all

four ethical vignettes led to the uncovering of the unique findings of this study. In particular, religious values, including Buddhism's five precepts (Keown, 2005) and following virtues/rules for the right reasons, contributed to their ethical decisions. While religious ethics are considered as the stepping stone to a moral life (Kalupahana, 1976), Sri Lankans are encouraged to practise their religions in a true sense in order to understand what is right and wrong. Having answered this question, the second objective of this study was achieved.

11.2.3 Factors influencing the ethical decision-making process: The role of individual, organisational, professional, and moral intensity factors (RQ3-RQ6)

Answering research questions three, four, five, and six achieved the third objective of the study.

The questionnaire findings of this study make it clear that the ethical decision-making of accountants is influenced by individual, organisational, professional, and moral intensity factors in a mixed way across different situations. Confirming the questionnaire findings, the insights of the professional accountants were consistent with the results of the questionnaire findings, although still mixed and inconsistent. The role of these factors is, thus, inconclusive, a conclusion which is not really surprising, given the findings of prior studies. However, the inconclusiveness of the findings suggests the difficulty inherent in developing a framework which can be used by the Sri Lankan accounting profession to guide accountants in Sri Lanka. Here, the complexity of the topic, additional factors, and the difficulty of understanding individual human cognitive processes should all be noted.

In the context of Sri Lanka, the interviewees raised several issues. These include: weaknesses in academic and professional education; lack of intrinsic religiosity; lack of available corporate codes; organisational pressures and lack of punishments; and, inadequate application and execution of professional accounting bodies' codes. Therefore, these findings highlight the need to improve ethics education, corporate ethical codes, ethics training, and proper implementation and enforcement of ethical codes by professional accounting bodies. In addition, these findings suggest that

further research in these areas is essential in order to provide greater insights that increase our understanding of and explain accountants' ethical decision-making.

11.3 Contributions of the Study

The thesis makes contributions to knowledge and the body of ethics literature. Its contributions are twofold: methodological and theoretical. This section discusses the overarching research objective and research question 7 (RQ7) of this thesis.

11.3.1 Methodological contribution

The first contribution of the study lies in its development of culturally relevant vignettes in written and video form. As Torres (2009) argued, the use of vignettes in research is appropriate “when studying issues that are abstract in nature and need contextualisation” (p. 94). In order to present the Sri Lankan accountants who participated in this study with realistic ethical dilemmas, four written and videoed vignettes were developed. In particular, the creation and use of video vignettes that used Sri Lankan actors and character names etc. added a ‘Sri Lankan flavour’ to the ethical dilemmas presented in those scenarios. The use of culturally relevant vignettes provided deeper insights. Hence, the employing of video vignettes in interviews marks one of this study’s distinctive contributions to methodological knowledge in the field of accounting ethics.

11.3.2 Theoretical contributions

This study is the first of its kind to explore the factors influencing the ethical decision-making of accountants in Sri Lanka using a mixed method approach. The research has resulted in a number of findings which make both a contribution to knowledge and open up a challenge for further research.

First, by providing an integrated ethical decision-making framework for accountants, this thesis attempts to contribute to knowledge in the field of accounting ethics. The development of the framework of analysis presented as Figure 22 in chapter 10 is distinctive from existing models/frameworks in the ethics literature. The core of the framework in Figure 22, which draws on Rest’s (1986)

model of the ethical decision-making process, is unique in that it is nonlinear and, thus, shows the reflexive nature of the process. In addition, the framework depicts the interplay of various factors in its three layers (outer, middle, and inner layer), that aided in the understanding of how accountants and accounting students construe their ethical decision-making processes.

Second, this thesis argues that the ethical decision-making by accountants in Sri Lanka shares the characteristic of being “wicked” (Kramer, 2010; Parrott, 2017; Rittel & Webber, 1973). It is evident that by its very nature, an individual’s ethical decision-making process—including that of an accountant—is complex, and dynamic; and, that it is one with no straightforward solutions, and no right or wrong answers (Reynolds, 2006). These characteristics are exacerbated further when coupled with the pervasive corruption in Sri Lanka and other developing countries. This situation gives rise to wicked situations which lead to the ethical decision-making’s being a wicked process. In that sense, accounting students and accountants should understand their challenging role when they are resolving ethical dilemmas.

Given the challenging role faced by accountants in wicked situations, the third contribution of the thesis to the body of knowledge is in confirming the relevance of an extended version of Rest’s (1986) model through the inclusion of a checklist which enables accountants to understand resolving ethical dilemmas. As shown in Figure 23 in chapter 10, the extension is incorporated into step three of the Rest’s (1986) model—intention. As explained in chapter 10, given Sri Lanka’s corrupt environment, various constraints can block an accountant’s intention to act ethically. It is at this point in the decision-making process that the accountant may be tempted act unethically. In that case, if the accountant feels pressured by someone to commit an “unethical act”, he or she should be mindful of this danger and should return again to the start of the process, if possible; however, it is acknowledged that this course of action may not necessarily be possible in all situations. In such situations, accountants who are ready to accept the potential consequences of their actions should perform the unethical act; they, however, need to maintain documentation to explain exactly why they followed that course of

action. In this sense, what accountants actually do is up to them, and they have to live with the consequences.

11.4 Practical Implications in the Sri Lankan Context

The findings of this study have wide-ranging implications for professional accountants, professional accounting bodies, educators, work organisations, and broader society, including government.

11.4.1 Professional Accountants

This research has implications for professional accountants.

- During the interviews it was evident that many accountants lacked the ability to evaluate factors that could possibly influence their decision-making and its outcomes. This lack of understanding led them to make unethical decisions in some situations. For example, some were unable to consider the consequences of actions which could lead to a tarnishing of their own reputation and organisations. Therefore, the framework of analysis (Figure 22) helps accountants to understand the interplay of the elements within it.
- As suggested in the findings, an individual accountant's ethical decision-making process is complex; it can be either simple or wicked. Irrespective of the nature of the situation, the checklist (Figure 23) offers useful insights into how accountants can deal with ethical dilemmas. By showing that ethical decision-making is a process that requires the appropriate level of knowledge along with relevant education and practical training, this study contributes to the body of knowledge on ethics in the context of the accounting profession.
- While consideration of some of the basic features of all religions, including Buddhism, helps individuals to better understand what is right and wrong, this study's findings revealed that religion as a foundation for acting

ethically may still be overridden by corrupt beliefs such as those engrained in contemporary Sri Lankan society. Therefore, this finding suggests that individual accountants should make an effort to build and incorporate religious values into their personal and professional lives, as true followers of their religion.

11.4.2 Professional accounting bodies

This thesis has implications for Sri Lanka's professional accounting bodies.

- It is evident that, in the judgement of the interviewees, this study has a considerable contribution to make to the Sri Lankan accounting profession in terms of practice. The interviewees included several former presidents, vice presidents or committee members of professional accounting bodies. During his interview AM4, said:

When you come back, please play a very strong role at the Institute of Chartered Accountants. Bringing your thesis into play, you should be the lead actor or the protagonist in bringing the teaching of ethics. You will be the best equipped to do that.

- This study found that many of the interviewees felt that their professional accounting bodies should act as independent bodies and aim to enhance the quality of their members by protecting the credibility of the profession. Therefore, as recommended in chapter 10, setting up an independent ethics committee which consists of members from all professional accounting bodies is important if Sri Lankan accountants are to administer their primary obligations to protect the public interest.
- The study findings highlighted the lack of understanding of the content of professional codes of ethics (basically the IFAC code of ethics). Therefore, it is important to ensure that professional accountants follow their bodies' codes and that those bodies regularly update their codes with changes, given that professional codes of ethics are a critical piece of information issued by Sri Lankan accounting bodies to their members.

- Implementing effective enforcement and disciplinary plans will offer a transparent system of accounting bodies' disciplinary procedures. The interviewees believed that, irrespective of any other influences including political interventions, professional accounting bodies should take disciplinary action against members who behaved unethically. For example, GM2 suggested that professional accounting bodies should go as far as publishing the names of those who were involved in unethical acts and that disciplinary cases should be taken against them. In the words of GM2: "You name and shame because when you do that people will have self-governance". Taking disciplinary action against members who act unethically encourages others to act ethically and so teaches all accountants a powerful lesson.
- The study findings also suggested that professional accounting education needs to be improved. Especially, the professional accountancy curriculum should be revisited by all the accounting bodies, with special reference to training, evaluation, and examinations, to ensure that students acquire ethics education that meets an expected level of educational standards. With regard to improving training, the professional accounting bodies could implement a compulsory minimum CPD requirement, particularly with regard to ethics training.
- In addition, emphasis must be put on the interactive ethics module which has been recently introduced by CASL (Wickramasinghe, 2015); thus,, CASL should take steps to ensure the quality of the programme and operate it effectively. This ethics module can be introduced as a prerequisite for the renewal of membership.
- The findings of the study also reveal the failure of Sri Lanka's professional accounting bodies to take appropriate measures to align the professional accounting education in Sri Lanka with that of accounting professionals in other countries. In this regard, professional accounting bodies should work

closely together with the country's universities in order to develop professional accountants.

11.4.3 Academic educators

The study has implications for educators, primarily universities and degree-awarding institutions, although these implications cannot be applied to all professional accountants in Sri Lanka.

- The study findings revealed the limited emphasis placed on ethics in tertiary education. For example, when AM4 said that “the universities are to be blamed most”, he stressed the system of teaching in universities, and referred especially to accounting degrees that need to be revamped. Revamping the university curriculum means that universities should focus on developing a range of desirable graduate ethical values that go beyond mere technical proficiency in their accounting students.
- In terms of teaching implications, a debate continues over the usefulness of ethics education internationally (Shaub, 2017) and locally (Srinivasan, 2012). In particular, educators (universities and degree-awarding institutions) should integrate ethics education into the accounting curriculum and thereby counter the blame some place on universities for their failure to adequately educate their students about ethics and ethical behaviour. Overall, the intention of ethics courses should be to improve accounting students' confidence in making sound ethical decisions in a changing world.

11.4.4 Organisations (accounting firms, government and business organisations)

The findings of the current study also highlighted that another important issue relates to the extent to which accountants' knowledge is practical in terms of the work they do in their organisations.

- In this regard, first, the study highlighted the need for all organisations to produce written guidelines that their employees, including accountants, can refer to, and to introduce follow-up measures to ensure that their employees follow these guidelines. Webley and Werner (2008), for instance, suggested that there is a need to have a relevant and “user friendly code of ethics” in an organisation (p. 413).
- Second, in terms of developing an ethical culture, the findings suggested that, while senior or top management ought to demonstrate ethical leadership, the ethical decisions of Sri Lankan accountants are influenced by the actual behaviours of their superiors and peers. Therefore, organisations should focus on improving the ethical culture within organisations. As regards remedies for improving the ethical culture within organisations, the interviewees believed that there should be a transparent system of organisational structure, including rules and policies. Further encouragement must be supported by a system of rewards and punishments.
- Third, the study findings highlighted that organisations may need to design and implement formal ethics training programmes in order to achieve and sustain an ethical culture that meets their needs. Thus, ethics training can be considered as an effective strategy for communicating ethical guidelines, rewards, and punishments in a company’s code of ethics for its employees (Rottig & Heischmidt, 2007). As suggested by Webley and Werner (2008), organisations need to focus on continuous ethics training and awareness programmes and employee engagement.
- Furthermore, the study has contributed to our understanding of how differences arising from individual factors may allow work organisations to tailor their ethics training to specific groups. For example, organisations should focus on providing less experienced members who are at the junior and middle management levels with training. Accountants who work in business organisations are most likely to benefit the most from more effective ethical training. Most notably, to make ethics training effective,

organisations need to make the cultivation of an ethical culture an ongoing process.

- In general, the study findings suggested that, while acknowledging that it is impossible for organisations to control external impacts, every organisation should be able to deal within its own boundaries with positive and negative influences caused by external environments. In this regard, organisations must have proper systems, guidelines, and values, and inculcate “good ethical principles” within their employees.

11.4.5 Society, including government

The findings indicated that accounting professionals’ decisions are also influenced by interactions with the external environment; thus, it is argued that the ethical decision-making of accountants is a wicked process. As shown in chapter 10, those who participated in this study made several recommendations on how to improve the external environment, primarily with the aim of curbing corruption. In that context, society may need to decide just how much corruption it will accept in its value system.

- As the study’s findings indicated, in assessing the adequacy of existing laws, rules, and regulations, it is important to strengthen law enforcement. For example, although Sri Lanka took initiatives in 2016 to develop a draft policy to protect whistle-blowers, that process has not yet been completed. Furthermore, the adequacy and efficacy of the country’s anticorruption laws should be revisited. Hence, the study stressed that a rigorous monitoring process which incorporates preventive and punitive measures within it should be established in the years to come.
- Most importantly, political corruption is very high in Sri Lanka; it was, therefore, suggested that a code of ethics should be established to guide the behaviour of politicians. It is believed that such a code of ethics can articulate what constitutes unethical behaviour by politicians and also

provide a vision which ethical politicians should strive to achieve and maintain.

- While these societal implications are long-term oriented, it is necessary to implement changes such as these in the short term, if Sri Lanka is to build an “ethically friendly environment”. GM9 summed up the situation when he stated that “there should be an attitude change” in order to create an expectation that Sri Lanka should be an ethical society. Therefore, as individuals in the society ought to change themselves, a revolutionary behavioural change is to be expected.

11.5 Limitations of the Study

Although the findings and contributions elucidated above are of significant interest, the findings of this research need to be interpreted in the light of the following limitations. This section, therefore, details several of this research project’s limitations.

- The first limitation to this study is that its findings are constrained by the demographic make-up of the sample of Sri Lankan accountants who participated in this research. With regard to the sample’s composition, it was not possible to find a satisfactory number of accountants to represent some demographics. For example, the survey respondents appear to be relatively young and inexperienced. However, it has to be noted that the entry level for professional accounting education in Sri Lanka is high school qualification, accountants enter the profession at young age. Further, the retirement age of public accountants is around 60 years. According to the entry level and leaving conditions in the Sri Lankan accounting profession, the sample shifted into lower end of the age distribution spectrum, thus age limitation may not be a big concern. In addition, Sri Lankan retirement age is Sri Lankan In addition, fewer female accountants than males participated in the interviews (22%). As indicated in chapter 2, only 28% of CASL’s total membership of 4,300 is female (Wickramasinghe, 2015). In addition,

the sample contained insufficient numbers of accountants who came from different professional accounting bodies and different religions.

This limitation may possibly limit the generalisability of the findings more than would have been the case with a more or less equal disposition of respondents.

- Second, although every precaution was taken to ensure the participants' anonymity and the confidentiality of their responses, social desirability bias may potentially limit the generalisability of the results of the study. Consequently, those who participated in the study may have answered the questions in a manner perceived as socially desirable. There is also a possibility that the participants may have embellished their responses to portray themselves and their profession in a favourable light.
- Third, given that ethics is a sensitive topic, being questioned about it may have evoked emotions or feelings of uneasiness in some respondents. Indeed, female interviewees were apprehensive when prompted to elaborate on their answers, indicating a reluctance to share information. Such reticence may be explained by the culture of Sri Lanka. As a result, the study's interview findings were more male-biased.
- Finally, this study is also limited by the factors it selected to investigate. As Lehnert et al. (2015) have shown, many relevant and important variables still need to be considered in ethical decision-making models. However, the framework contains a grey area that allows for the inclusion of any other factors that could influence the ethical decision-making process of accountants.

11.6 Future Research into the Ethical Decision-Making of Accountants

While substantial research has been undertaken in accounting ethics, it is clear that much more needs to be done. As the limitations mentioned in the preceding section

indicated, this study raises a number of important issues which are worthy of further study.

- The inconsistent and mixed findings showed that it is important to revisit the factors that influence ethical decision-making, as doing so can provide new insights which contribute to existing knowledge. Therefore, further research should be conducted to explore more fully which factors underlie the ethical decision-making of various professional groups and the roles that those factors play in that process.
- Further, replication studies on a larger sample of accountants from accounting firms, government, and business organisations in Sri Lanka, or any other developing country, will also allow for greater generalisability of the research findings. Further, the framework could be replicated by other professional groups in Sri Lanka using ethical dilemmas from their disciplines, or trialled in the cultural context of other developing countries.
- In addition, the limited impact of education on ethical decision-making of Sri Lankan accountants raises important questions regarding the emphasis placed on ethics in the tertiary education sector. In particular, existing accounting degree programs offered by Sri Lankan universities should be investigated and evaluated in order to understand ethics coverage in those programs. This type of study will help educators to incorporate ethics within accounting curriculum.
- Given the important findings on the influence of culture, it would also be interesting to focus more specifically on cultural factors in ethics research. However, given the contrasting results found in relation to the influence of religiosity, further research should be conducted on the influence of religiosity and specific religions. In addition, several other cultural factors, including spirituality, political systems, and corruption, may also play an important role in the ethical decision-making process and these could usefully be investigated.

- As stated above, follow-up research could include additional factors such as nonrational factors. Although, such an undertaking would require substantial time and resources, this study's integrated framework of analysis would allow further refinement and understanding of its components. Each component in the framework of analysis, including the core of the framework and the factors included in the three layers, requires more detailed exploration through further research.
- Finally, future empirical research could consider looking at the impact of specific factors on the ethical decision-making process by studying these in actual work settings. Application of the framework there would extend the literature by integrating established factors into the actual decision-making process employed by accountants facing real-life ethical dilemmas. The gaining of such empirical understanding could greatly help to further refine the framework presented in this study.

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Appendices

Appendix 1: Pre-testing interview guide

Interview guide for participants

This study is being conducted at the University of Waikato, New Zealand by Nirupika Samanthi Liyanapathirana under the supervision of Professors Grant Samkin and Howard Davey, and Dr Mary Low.

This study focuses on developing an integrated ethical decision making model for the accounting profession, Sri Lanka. It will identify various factors that influence the ethical decision making process of accountants. To achieve these objectives, I will collect data from accountants in Sri Lanka through interviews and questionnaire surveys. In order to assist data collection, I have developed several vignettes that represent hypothetical ethical scenarios.

This is the stage of pre-testing of those vignettes. The goal of the pre-testing of the vignettes is to choose the most important, reliable and valid four vignettes. Your participation in this pre-testing stage is greatly appreciated.

Thank you for your participation.

Ethical scenarios and related questions

The following section contains seven ethical scenarios along with actions taken. At the end of each scenario, three questions are raised. With regard to the first two questions, please review the items provided and indicate your opinion by **circling** a number **1-5** in the scale provided. The third question is open-ended.

Read the scenarios and provide answers which best match your own personal beliefs.

Scenario 1: Accepting gifts

An accountant of a Bank arranged a large loan for a valued client to establish a tourist hotel. Once established, the client invited the accountant and his family to the hotel's opening ceremony. Several months later, the accountant was offered a gift voucher for a 3 night luxury holiday package (all inclusive). The accountant believes that returning the gift voucher would insult the client.

Action: The accountant accepts the voucher and does not disclose it to his colleagues in the bank.

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic at all” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Scenario 2: Stealing confidential information of a competitor

A friend offers to give some confidential information about his former company that is a competitor with your company, in return for a recommendation letter from you. You are the accountant, one of two people being considered for a big promotion and understand that you can use this information to gain competitive advantage in the promotion process and also for your company.

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Scenario 3: Adjusting financial information

A company suffers a short term decline in sales which has resulted in the Times Interest Earned (TIE) ratio falling below the levels required by the bank covenant. The accountant of the company has already seen an upturn in forward orders and identified that there is an opportunity to postpone some write offs of bad debts so as to stay above the bank covenant.

Action: The accountant postpones some “write offs” of bad debts.

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Scenario 4: Making extraordinary payments

You are the accountant in a vehicle importing company. Your company is currently competing with several others for a large contract to import a number of luxury vehicles for a government department. The accountant receives a phone call from an official from the government department. The government official promises to approve the company bid, provided the company pays a “commission of Rs 2.5 million” to him. Extraordinary payments such as that described above are common in obtaining large contracts.

Action: The accountant agrees to pay the “commission” in order to have their bid approved.

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Scenario 5: Accepting a company bid for personal gain

An accountant of a manufacturing company is negotiating with three suppliers to install a new computer accounting system. Bids have been submitted by two registered suppliers who have provided service in the past, and one from a newly formed computer firm. All the bids are similar. The newly formed computer firm informs the accountant that their company will offer free training on the use of the accounting system in Singapore (including travel, accommodation, food and all other expenses) to him if the contract is

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Scenario 6: Unfair discrimination

A partner of an accounting firm, is on the interview board to hire an auditor. The final selection is between two candidates, one male and the other female. Both are chartered accountants, having good personalities, communication skills and good references. At the interview, both of them expressed their interest in joining the company. The only difference between them is that the female candidate holds an accounting degree from *University of Sri Jayewardenepura* while the male candidate does not hold an undergraduate degree.

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Scenario 7: Disclosure of insider information

Over the past few years, a quoted public company has not performed well. As a result, the share price of the company has remained stagnant. A few months ago, a leading businessman joined the Board of the company and the company’s financial performance has been considerably enhanced through his private and official contacts. The share price is expected to increase as a result of this appointment.

1. How would you rate this ethical dilemma with respect to its importance to accountants?

1	2	3	4	5
The ethical dilemma is Very Unimportant	The ethical dilemma is Unimportant	The ethical dilemma is Neutral importance	The ethical dilemma is Important	The ethical dilemma is Very important

The reasons for your rating:

2. How would you rate this ethical dilemma on a five point Likert-Like scale from “not realistic” to “very realistic”?

1	2	3	4	5
The ethical dilemma is Not realistic at all	The ethical dilemma is Not realistic	The ethical dilemma is Neutral	The ethical dilemma is realistic	The ethical dilemma is Very realistic

The reasons for your rating:

Overall ranking of scenarios

The purpose of using scenarios in this study is to measure ethical decision making process of accountants and identify various factors that influence ethical decision making process of accountants. How would you rank the seven vignettes, if you are undertaking this research?

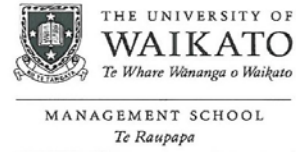
(For example Ranking 1 is for the most realistic and important vignette and Ranking 7 is for the least realistic and important one)

Scenarios	Ranking
Scenario 1: Accepting gifts	
Scenario 2: Stealing confidential information of a competitor	
Scenario 3: Adjusting financial information	
Scenario 4: Making extraordinary payments	
Scenario 5: Accepting a company bid for personal gain	
Scenario 6: Unfair discrimination	
Scenario 7: Disclosure of insider information	

Appendix 2: Ethical Approval Letter

Research Office
Waikato Management School
The University of Waikato
Private Bag 3105
Hamilton 3240
New Zealand

Amanda Sircombe
Research Manager
Phone +64 7 838 4376
Fax +64 7 838 4063
Email amandas@waikato.ac.nz
www.management.ac.nz



31st May 2015

Nirupika Liyanapathirana
9a 187 Knighton Road
Hillcrest
Hamilton 3216

Dear Nirupika

Ethical Application WMS 15/37

An examination of drivers that influence ethical decision making of professional accountants: An integrated model for a developing country, Sri Lanka

As per my earlier email the above research project has been granted Ethical Approval for Research by the Waikato Management School Ethics Committee.

Please note: should you make changes to the project outlined in the approved ethics application, you may need to reapply for ethics approval.

Best wishes for your research.

Regards,

Amanda Sircombe

Amanda Sircombe
Research Manager

Appendix 3: Consent form

Consent Form for Participants

Waikato Management School
Te Raupapa



THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

Towards developing an integrated ethical decision making framework for a developing country, Sri Lanka

Consent Form for Participants

I have read the Information Sheet for Participants for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study. I agree to provide information to the researchers under the conditions of confidentiality set out on the Information Sheet.

I agree to participate in this study under the conditions set out in the Information Sheet form.

Signed: _____

Name: _____

Date: _____

Researcher's Name and contact information:

Nirupika Samanthi Liyanapathirana
Department of Accounting, University of Waikato
Email: nsl8@students.waikato.ac.nz
Mobile: +64 211584052

Supervisor's Name and contact information:

Professor Grant Samkin
Department of Accounting, University of Waikato
Email: grantsam@waikato.ac.nz
Office phone: 838 4466 ext 8942

Appendix 4: Participant information sheet

Participant Information Sheet

Waikato Management School

Te Raupapa



THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

1. The purpose of the research:

The primary purpose of this project is to examine the drivers that influence the ethical decision making by professional accountants in Sri Lanka. This study will examine the nature of the ethical decision making process of accountants in Sri Lanka. It also investigates the differences in ethical decision making between different groups of professional accountants. In addition, this study will further examine the association of ethical theories with ethical decisions made by professional accountants in Sri Lanka.

2. The people associated with this research and contact details:

Researcher's name and contact information	Nirupika Samanthi Liyanapathirana Department of Accounting Waikato Management School, University of Waikato nsl8@students.waikato.ac.nz/nirupikaamanthi@gmail.com Mobile : +64211584052
Chief supervisor's name and contact information	Professor Grant Samkin Department of Accounting Waikato Management School University of Waikato grantsam@waikato.ac.nz/ 838 4466 ext 8942

Other supervisors' names and contact information	<p>Dr Mary Low Department of Accounting Waikato Management School University of Waikato lai@waikato.ac.nz/_838 4466 ext 8746</p> <p>Professor Howard Davey Department of Accounting Waikato Management School University of Waikato hdavey@waikato.ac.nz/_838 4466 ext 4441</p>
---------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

3. Your involvement in this research

As a research participant, you will take part in an interview/ and or a questionnaire survey. Your participation in this study may contribute to a greater understanding of the factors that influence the decision-making process within accounting. The findings will assist in developing an integrated ethical decision making model for the accounting profession. The final opt out period to be involved of this study is two weeks from the interview.

4. Your rights as a participant

If you decide to take part in this research, you have the right:

- a) to discontinue participation at any time and to leave any questions unanswered because your participation in this study is completely voluntary.
- b) to ask further information about this research or clarify any questions during the interview.
- c) to change, add to or withdraw any information you have provided within three weeks from the time of the interview.
- d) to provide any additional comments on the contents of the interviews which will be helpful in developing an ethical decision-making model.

5. Confidentiality

Any information you provide remained confidential. The information, you provide will be used only to complete my doctoral thesis. Any personal

information provided by you during the course of the research remains confidential. Once you agree to participate in this research, you will be assigned a participant number known only to the researcher to protect your identity and facilitate data analysis.

Thank you very much for your cooperation and valuable time spent with this research.

Appendix 5: Interviewee’s information sheet and Guide

Interviewee’s information sheet

Interviewee identification number:
(Will be allocated by the researcher)

Are you a member of any of the following professional accounting bodies in Sri Lanka?	<input type="checkbox"/> ICASL <input type="checkbox"/> CIMA <input type="checkbox"/> ACCA <input type="checkbox"/> CMA <input type="checkbox"/> Any other (Please specify.....)
What type of organisation, do you work for?	<input type="checkbox"/> Accounting firm <input type="checkbox"/> Business company <input type="checkbox"/> Government organisation <input type="checkbox"/> Any other (Please specify.....)
Level of management you represent in your organisation:	<input type="checkbox"/> Top/ Senior management <input type="checkbox"/> Middle management <input type="checkbox"/> Junior management <input type="checkbox"/> Entry level
How many years of work experience (including work based training) do you have?	<input type="checkbox"/> Less than 5 <input type="checkbox"/> 5 – 10 <input type="checkbox"/> 11 – 15 <input type="checkbox"/> 16 – 20 <input type="checkbox"/> More than 20
What is your highest academic qualification?	<input type="checkbox"/> Postgraduate degree (PhD/ Master degree) <input type="checkbox"/> Undergraduate degree (Please specify.....) <input type="checkbox"/> Advanced Diploma/ Diploma (Please specify.....) <input type="checkbox"/> High school qualification <input type="checkbox"/> Any other (Please specify.....)
How old are you?	<input type="checkbox"/> 21 – 30 <input type="checkbox"/> 31 – 40 <input type="checkbox"/> 41 – 50 <input type="checkbox"/> 51 – 60 <input type="checkbox"/> Above 60
What is your religion?	<input type="checkbox"/> Buddhism <input type="checkbox"/> Christianity <input type="checkbox"/> Hinduism <input type="checkbox"/> Islam <input type="checkbox"/> Any other (Please specify.....) <input type="checkbox"/> I do not practise any religion

Date of the interview:

Interview guide

Your participation in this research project is greatly appreciated. Your responses can be useful to develop my doctoral thesis and to contribute to the body of knowledge on drivers that influence the ethical decision making of accountants in Sri Lanka.

The interview will take approximately 50 – 60 minutes and the interview schedule is as follows.

Interview Part	Duration	Questions
Part 1	25 minutes	Questions based on ethical scenarios
Part 2	25 minutes	General questions on ethical decision making and different factors that influence ethical decision making

Part 1: Questions based on ethical scenarios

❖ **Four video hypothetical scenarios are played to you. At the end of each scenario, you will be asked the following questions.**

1. How would you act in this situation?
2. Why did you take that particular course of action? Explain.
3. Do you think that the Professional Code of Ethics helped you to make your decision? If so, how?
4. Overall, what motivated you to take a particular course of action?
5. Ethical issues are different from one to another. Do you think that the “nature of an ethical issue” is important when you make a decision? (Such as consequences to immediate stakeholders, societal perception of the issue, any harmful consequences in the future etc.). Explain.

Part 2: General questions on ethical decision making

❖ **Questions about your understanding of ethical decision making and its importance in the accounting profession:**

1. How would you make a decision, when you are faced with an ethical dilemma?. Explain the process.
2. Do you think that ethical decision making is important to the accounting profession? Why?

❖ **Questions on individual factors that influence the ethical decision making of accountants at work:**

1. Do you think being a male/ female would make a difference in taking ethical decisions at work? Why do you think so?
2. Do you think that the age of an accountant matter in taking ethical decisions? Why?
3. How does the education (academic/ professional) of an accountant impact their ethical decision making?
4. How does the length of work experience of an accountant impact their ethical decision making?
5. Does your religion and your religious beliefs influence you in making ethical decisions at work? Explain.
6. What other individual factors may influence your ethical decision making?

❖ **Questions on organisational factors that influence the ethical decision making of accountants:**

1. Have you ever been influenced by your colleagues in your organisation to make an unethical decision, which you consider to be unethical?
2. Have you ever influenced others in your organisation to make an unethical decision, which you consider to be unethical?
3. Does your organisation establish a code of ethics or any ethical guidelines for employees?
4. If 'yes' to Question 3, Do you and your colleagues follow these guidelines? Is there any penalty for unethical conduct or any rewards for ethical conduct?
5. If 'no' to Question 3, Do you believe that your organisation should establish an ethical code or guidelines? Why?

6. Can you tell me some other organisational factors that may influence your ethical decision making?

❖ **Questions on environmental drivers that influence the ethical decision making of accountants:**

1. Are you an active member in the profession? (Such as attending professional meetings, reading new updates and professional publications etc)
2. Do you think that the Professional Code of Ethics for Accountants is adequate or inadequate to guide accountants? Why?
3. Do you have any recommendations to improve the Professional Code of Ethics for Accountants?

Appendix 6: Questionnaire Survey

QUESTIONNAIRE INSTRUMENT

I invite you to be a part of my study that examines the drivers that influence the ethical decision making of professional accountants in Sri Lanka. This study is being conducted at the University of Waikato, New Zealand by Nirupika Samanthi Liyanapathirana under the supervision of Professors Grant Samkin and Howard Davey, and Dr Mary Low.

This study focuses on developing an integrated ethical decision making model for the accounting profession. It will identify various factors that influence the ethical decision making process of professional accountants. The information collected through this questionnaire will help me to complete my doctoral thesis.

Information to participants

Your participation is completely voluntary. You may choose not to participate or may withdraw at any time within three weeks after you complete and submit the questionnaire.

You are free to decline answering any question/ (s) in this questionnaire.

Your responses will be kept anonymous and confidential throughout the process of this study. You will not be identified by name or in any way in any published form from this study.

Your completion of this questionnaire indicates your consent to use your responses to collect the findings for this PhD study.

This questionnaire consists of four sections:

1. Section 1 : Demographic questions
2. Section 2 : Your work ethics
3. Section 3 : Professional Code of Ethics
4. Section 4 : Ethical scenarios.

The completion of this survey will take approximately 30-40 minutes of your time.

Thank you for your participation.

SECTION 1: DEMOGRAPHIC QUESTIONS

This section asks you some demographic questions about your gender, age, education, work experience, religion and your level of religiosity.

1. Are you :

- Male
- Female

2. How old are you?

- 21 – 30 years
- 31 – 40 years
- 41 – 50 years
- 51 – 60 years
- Above 60 years

3. What is your highest academic qualification?

- Postgraduate degree (PhD/ Master degree)
- Undergraduate degree (Please specify.....)
- Advanced Diploma/ Diploma degree (Please specify.....)
- High school qualification
- Any other (Please specify.....)

4. Have you covered any ethics courses in your academic qualification?

- Yes
- No

5. Are you a member of any of the following professional accounting bodies in Sri Lanka?

- CASL
- CIMA
- ACCA
- CMA
- Any other (Please specify.....)

6. Have you covered any ethics courses in your professional accounting program/s?

- Yes
- No

7. What type of organisation, do you work for?

- Accounting firm
- Business organisation
- Government organisation
- Any other (Please specify.....)

8. What level of management, do you hold in your organisation?

- Top/ Senior management
- Middle management
- Junior management
- Entry level of management

9. How many years of work experience (including work based training) do you have?

- Less than 5
- 5 – 10
- 11 – 15
- 16 – 20
- More than 20

10. Have you participated in any ethics training courses?

- Yes
- No

11. What is your religion?

- Buddhism
- Christianity
- Hinduism
- Islam
- Any other (Please specify.....)
- I do not practise any religion

12. What extent do you think that family background and upbringings of an individual influences one's ethical decision making?

- Not at all
- To some extent
- Moderately
- To a greater extent
- Absolutely

13. The following questions relate to your religiosity.

<i>For each of the following questions ,tick a one box that best reflects your routine/ involvement</i>	Never	Several times a year	Several times a month	Several times a week	Daily
a) How often do you visit Temple/ Church/ Mosque/ Hindu Kovil/ Any other to worship?					
b) How often do you attend religious services?					
c) How often do you read religious teachings? (For example Buddhist teachings/ Bible/ Koran/ Geeta/ Any other)?					
d) How often do you pray?					

<i>For each of the following statements, tick a one box that best reflects your level of religious beliefs</i>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a) I enjoy reading about my religion					
b) My religious beliefs do not matter provided I am a good person					
c) I try hard to live my life according to my religious beliefs					
d) Although I am religious I don't let it affect my daily life					
e) My whole approach to life is based on my religion					
f) Although I follow my religion, other things are more important					
g) My religious beliefs affect my decision making at my work place					
h) In a commercial environment, I am occasionally forced to compromise my religious beliefs					

Section 1 completed.

Next section is about your work place ethics.

SECTION 2: QUESTIONS ABOUT WORK PLACE ETHICS

This section asks you some questions about your organisation and organisational culture.

1. Does your work organisation have a formal code of ethics/ any other ethical guidelines to guide employees?

- Yes
- No
- I am not sure

2. The following statements relate to work place ethics.

Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a) Colleagues at the following levels in my workplace have occasionally engaged in unethical decision making:					
• Senior level					
• Middle management level					
• Junior management level					
• Entry level					
b) Unethical decision making is acceptable if it results in:					
• Personal gain (rather than merely gain to firm)					
• Gain to the firm (rather than merely personal gain)					
• Wider societal benefits (rather than personal or gain to the firm)					
c) Occasionally it is necessary to compromise one's work ethics					
d) Unethical behaviour is not accepted at my workplace					
e) I feel that ethics at my workplace is only "window dressing"					
f) Unethical behaviour is punished at my work place					
g) Ethical behaviour is rewarded at my work place					
h) On some occasions, I have been pressured by colleagues in my work place to put profitability ahead of the quality of the work or accept their decisions that are unethical in nature					

Section 2 completed.

Next section is about your understanding about professional code of ethics.

SECTION 3: QUESTIONS ABOUT PROFESSIONAL CODE OF ETHICS

The following questions relate to your understanding and familiarity of the “Professional Code of Ethics” issued by professional accounting bodies (Hereinafter referred to as the “Code”).

Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a) The Code acts to clarify what behaviour is expected of members of accounting bodies					
b) The Code encourages members to confirm whether certain behaviour is acceptable					
c) According to my understanding, the Code helps to prevent unethical professional behaviour					
d) The Code spells out the consequences of unethical professional behaviour					
e) I am familiar with ethical principles as set out in the Code					
f) The Code helps me to prioritise the interests of the public, ahead of self-interest and interests of the other stakeholders					

Section 3 completed.

Next section consists of several ethical scenarios followed by a number of statements.

It would take you approximately 15 - 20 minutes to complete.

Section 4: Ethical scenarios

This section contains seven ethical scenarios. Each scenario is followed by six statements to indicate your degree of agreement on the scale provided.

*Please note: You are **not** being asked to select a “correct” answer. Rather select the answers which best match **your own personal beliefs** and not what you think the “**correct answer**” should be.*

Scenario 1: Accepting gifts

An accountant of a Bank arranged a large loan for a valued client to establish a tourist hotel. Once established, the client invited the accountant and his family to the hotel’s opening ceremony. Several months later, the accountant was offered a gift voucher for a 3 night luxury holiday package (all inclusive). The accountant believes that returning the gift voucher would insult the client.

Action: The accountant accepts the voucher and does not disclose it to his colleagues in the bank.

Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1. The above situation involves an ethical dilemma					
2. The accountant should not accept this gift from the client					
3. If I were faced with the same situation, I would accept the gift voucher					
4. The action taken by the accountant has not resulted any harm to immediate stakeholders (For example bank, colleagues and clients)					
5. Society as a whole would agree that accepting valuable gifts from clients is unethical					
6. The above action is unlikely to cause any harmful consequences in the future					

Scenario 2: Stealing confidential information of a competitor

A friend offers to give some confidential information about his former company that is a competitor with your company, in return for a recommendation letter from you. You are the accountant, one of two people being considered for a big promotion and understand that you can use this information to gain competitive advantage in the promotion process and also for your company.

Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The above situation involves an ethical dilemma					
The accountant should not give the recommendation letter in return for the confidential information					
If I were faced with the same situation, I would provide the letter of recommendation					
The action taken by the accountant has not resulted any harm to immediate stakeholders					
Society as a whole would agree that stealing confidential information of a competitor is unethical					
The above action is unlikely to cause any harmful consequences in the future					

Scenario 3: Adjusting financial information

A company suffers a short term decline in sales which has resulted in the Times Interest Earned (TIE) ratio falling below the levels required by the bank covenant. The accountant of the company has already seen upturn forward orders and identified that there is an opportunity to postpone some write offs of bad debts so as to stay above the bank covenant.

Action: The accountant postpones some “write offs” of bad debts.

Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The above situation involves an ethical dilemma					
The accountant should not postpone the “write offs” of bad debts					
If I were faced with the same situation, I would postpone the “write offs”					
The action taken by the accountant has not resulted any harm to immediate stakeholders					
Society as a whole would agree that adjusting financial information is unethical					
The above action is unlikely to cause any harmful consequences in the future					

Scenario 4: Making extraordinary payments

You are the accountant in a vehicle importing company. Your company is currently competing with several others for a large contract to import a number of luxury vehicles for a government department. The accountant receives a phone call from an official from the government department. The government official promises to approve the company bid, provided the company pays a “commission of Rs 2.5 million” to him. Extraordinary payments such as that described above are common in obtaining large contracts.

Action: The accountant agrees to pay the “commission” in order to have their bid approved.

Indicate the extent of your agreement with the following statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The above situation involves an ethical dilemma					
The accountant should not agree to pay the commission					
If I were faced with the same situation, I would agree to pay the commission					
The action taken by the accountant has not resulted any harm to immediate stakeholders					
Society as a whole would agree that making extraordinary payments such as the one described above is unethical					
The above action is unlikely to cause any harmful consequences in the future					

Congratulations!

The survey is completed.

Thank you very much for your participation

Appendix 7: Missing values (Section 1 to Section 3 of the questionnaire survey items): Univariate statistics

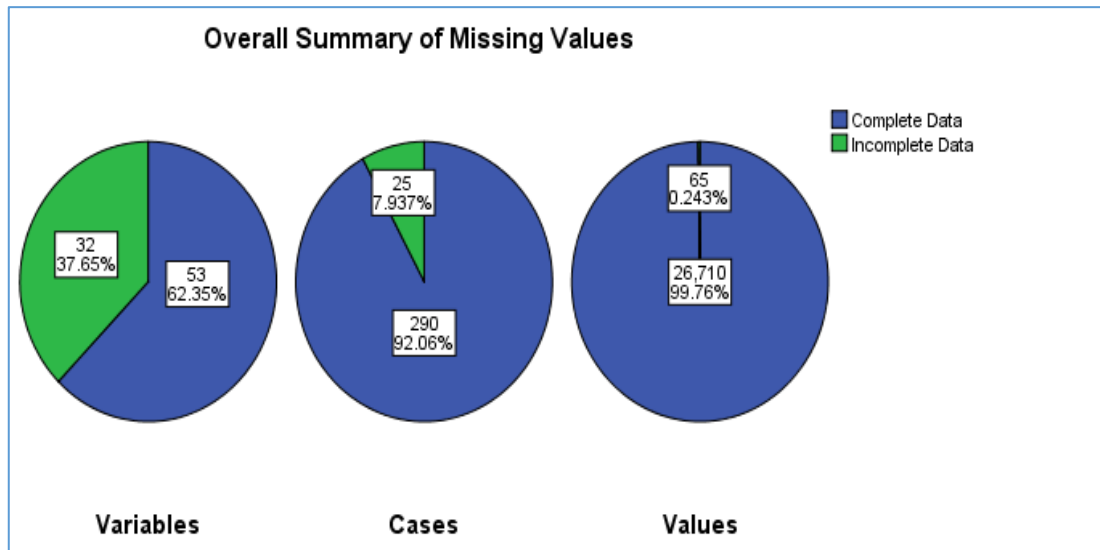
Questionnaire items	N	Mean	Std. Deviation	Missing		Questionnaire items	N	Mean	Std. Deviation	Missing	
				Count	Percent					Count	Percent
Section 1: Demographic questions						Section 2: Questions about work place ethics					
Gender	315	1.56	.498	0	0.00	ECWO	315	1.34	.712	0	0.00
Age	315	1.69	.657	0	0.00	UTT1	315	2.87	1.076	0	0.00
AQ	315	2.02	.720	0	0.00	UTT2	315	2.83	1.061	0	0.00
EAQ	315	1.37	.485	0	0.00	UTT3	315	2.82	1.015	0	0.00
PQ	315	1.67	.797	0	0.00	UTT4	315	2.85	1.052	0	0.00
PAQ	315	1.09	.290	0	0.00	LTP1	315	1.55	.770	0	0.00
WO	315	1.92	.729	0	0.00	LTP2	315	1.93	1.026	0	0.00
LM	315	2.23	.651	0	0.00	LTP3	315	2.43	1.216	0	0.00
YearsWE	315	2.25	.950	0	0.00	UP1	315	2.78	1.004	0	0.00
ET	315	1.53	.506	0	0.00	UTT5	315	2.40	1.189	0	0.00
Religion	315	1.26	.505	0	0.00	UP2	315	2.74	.986	0	0.00
IFB	315	2.01	.689	0	0.00	UTT6	315	2.50	.914	0	0.00
ER1	315	2.62	.735	0	0.00	UTT7	315	3.01	.999	0	0.00
ER2	315	2.51	.854	0	0.00	UP3	315	2.88	1.025	0	0.00
ER3	315	2.56	1.067	0	0.00	Section 3: Questions about Professional Code of ethics					
ER4	315	3.60	1.181	0	0.00	PCE1	315	4.20	.610	0	0.00
IR1	315	4.21	.778	0	0.00	PCE2	315	4.07	.614	0	0.00
IR2	313	2.99	1.227	2	0.63	PCE3	315	4.11	.625	0	0.00
IR3	313	3.89	1.007	2	0.63	PCE4	315	3.84	.745	0	0.00
IR4	312	2.97	1.181	3	0.95	PCE5	315	3.93	.703	0	0.00
IR5	313	3.49	.981	2	0.63	PCE6	315	3.93	.725	0	0.00
IR6	313	2.86	1.021	2	0.63						
IR7	313	3.33	1.082	2	0.63						
IR8	314	3.24	1.003	1	0.32						

Appendix 8: Missing values (Section 4 of the questionnaire survey items):

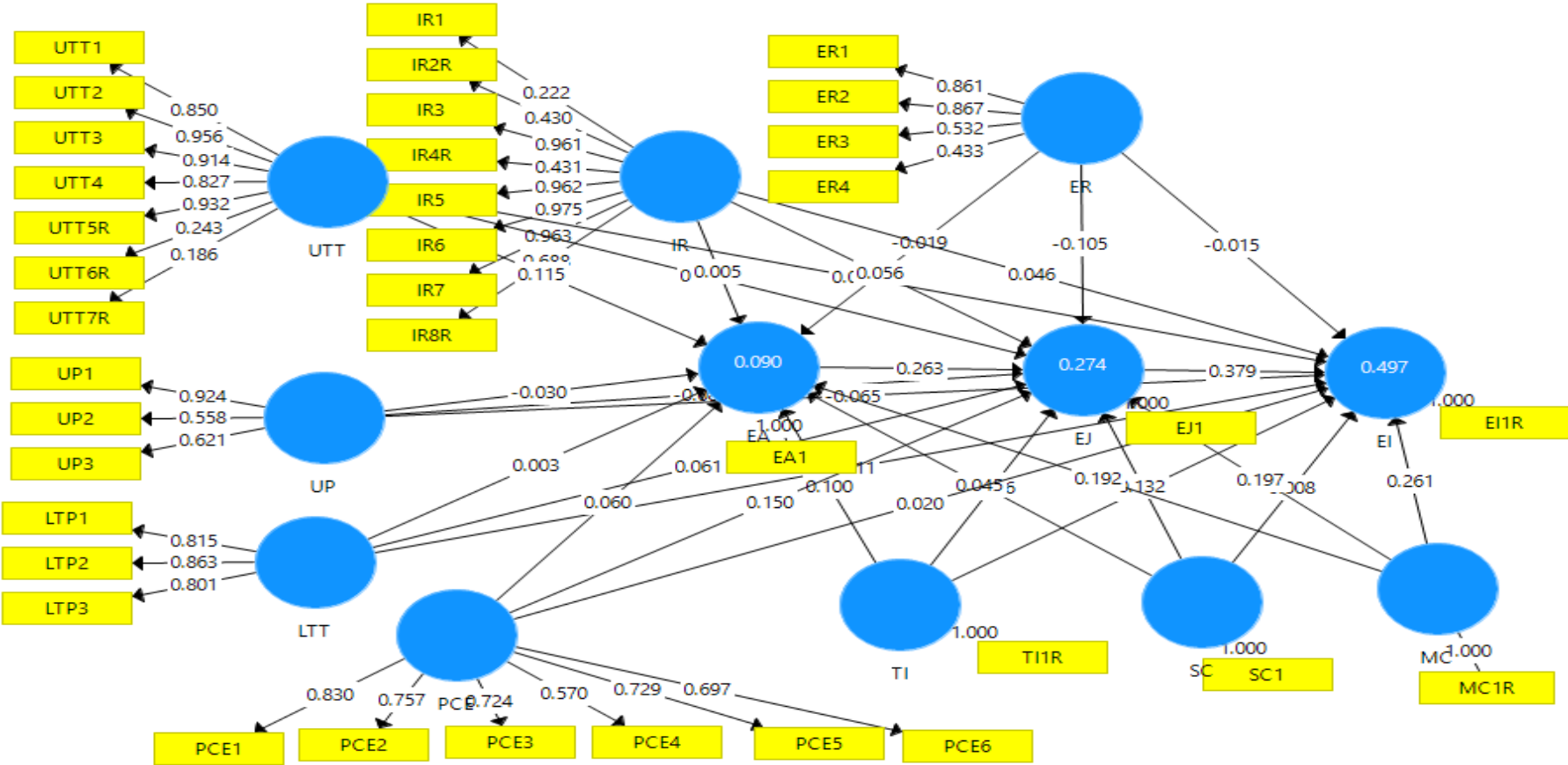
Univariate statistics

Questionnaire items	N	Mean	Std. Deviation	Missing	
				Count	Percent
EA1	312	3.78	.919	3	0.95
EJ1	311	3.44	1.051	4	1.27
EI1	315	3.54	1.077	0	0.0
MC1	313	3.19	1.082	2	0.63
SC1	315	3.51	.969	0	0.00
TI1	315	3.51	1.054	0	0.00
EA2	315	3.87	1.029	0	0.00
EJ2	313	4.03	.867	2	0.63
EI2	315	4.02	.941	0	0.0
MC2	314	3.83	1.033	1	0.32
SC2	314	3.80	1.030	1	0.32
TI2	314	3.76	1.058	1	0.32
EA3	313	3.91	.960	2	0.63
EJ3	313	3.95	.859	2	0.63
EI3	312	3.73	1.010	3	0.95
MC3	314	3.61	1.018	1	0.32
SC3	314	3.68	1.064	1	0.32
TI3	314	3.72	.992	1	0.32
EA4	311	3.95	.979	4	1.27
EJ4	311	3.83	.987	4	1.27
EI4	314	3.88	.942	1	1.32
MC4	315	3.72	.974	0	0.00
SC4	315	3.71	1.132	0	0.00
TI4	315	3.92	.945	0	0.00

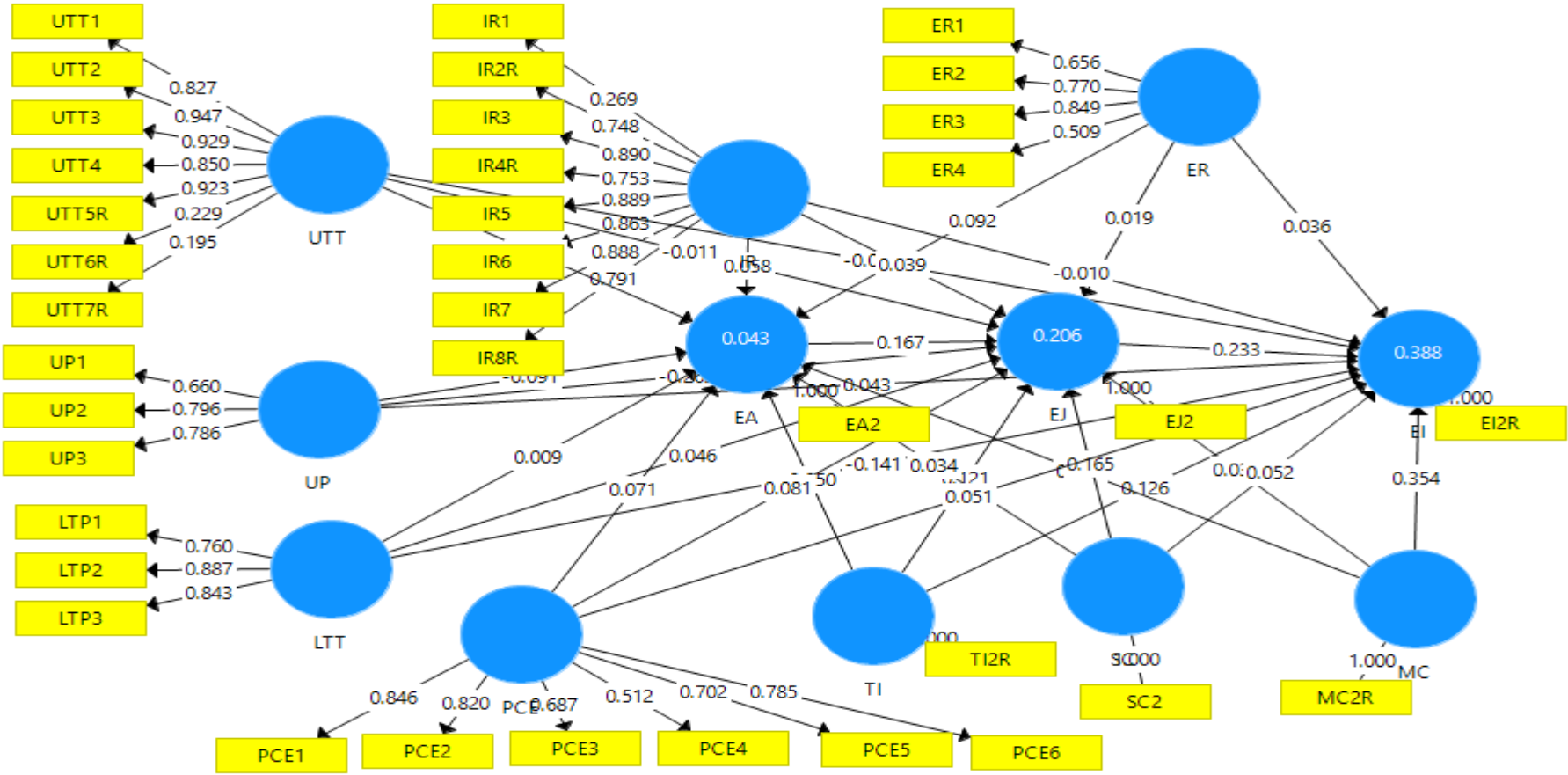
Appendix 9: Overall summary of missing values



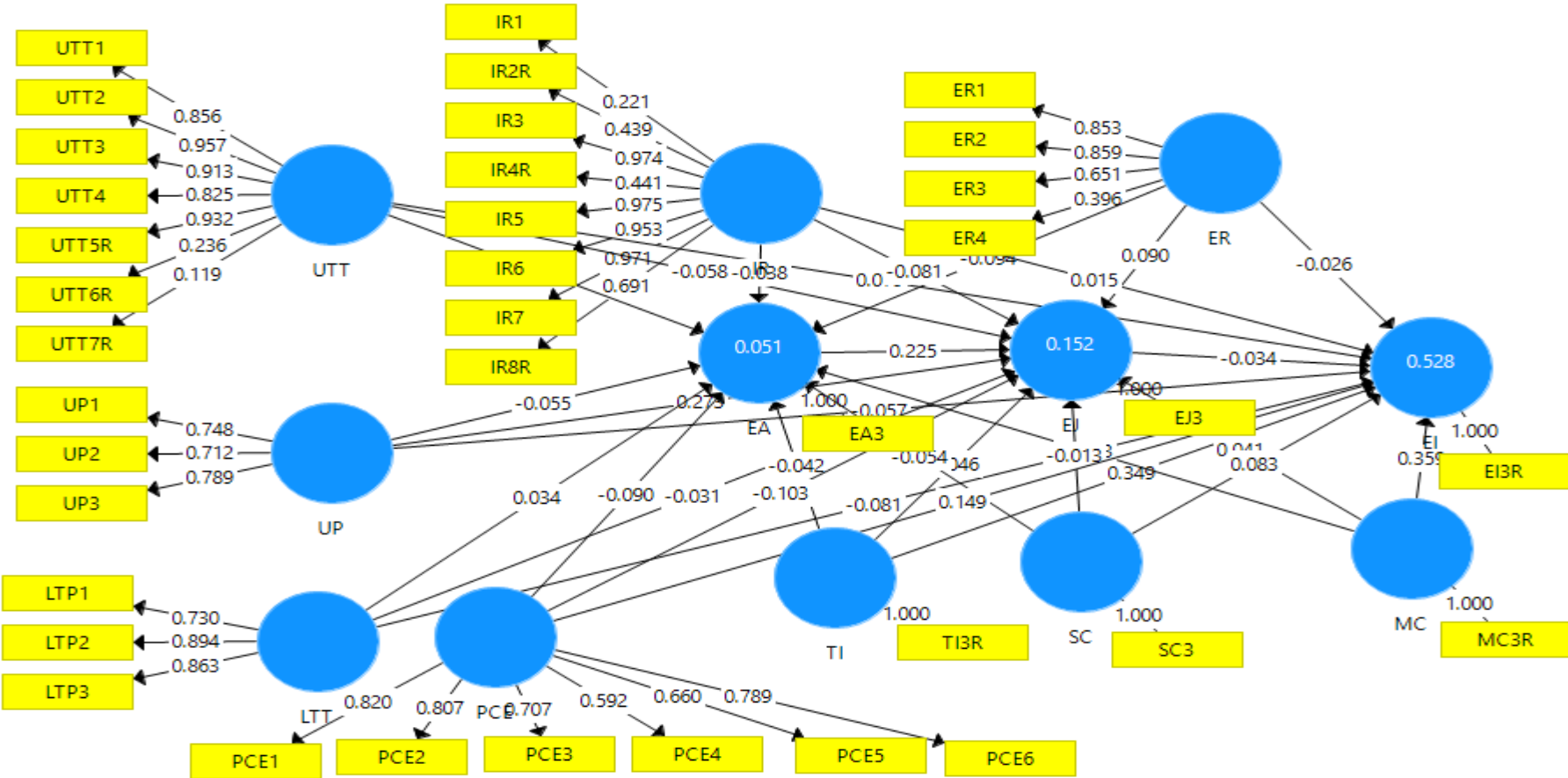
Appendix 10: Measurement model 1: Vignette 1



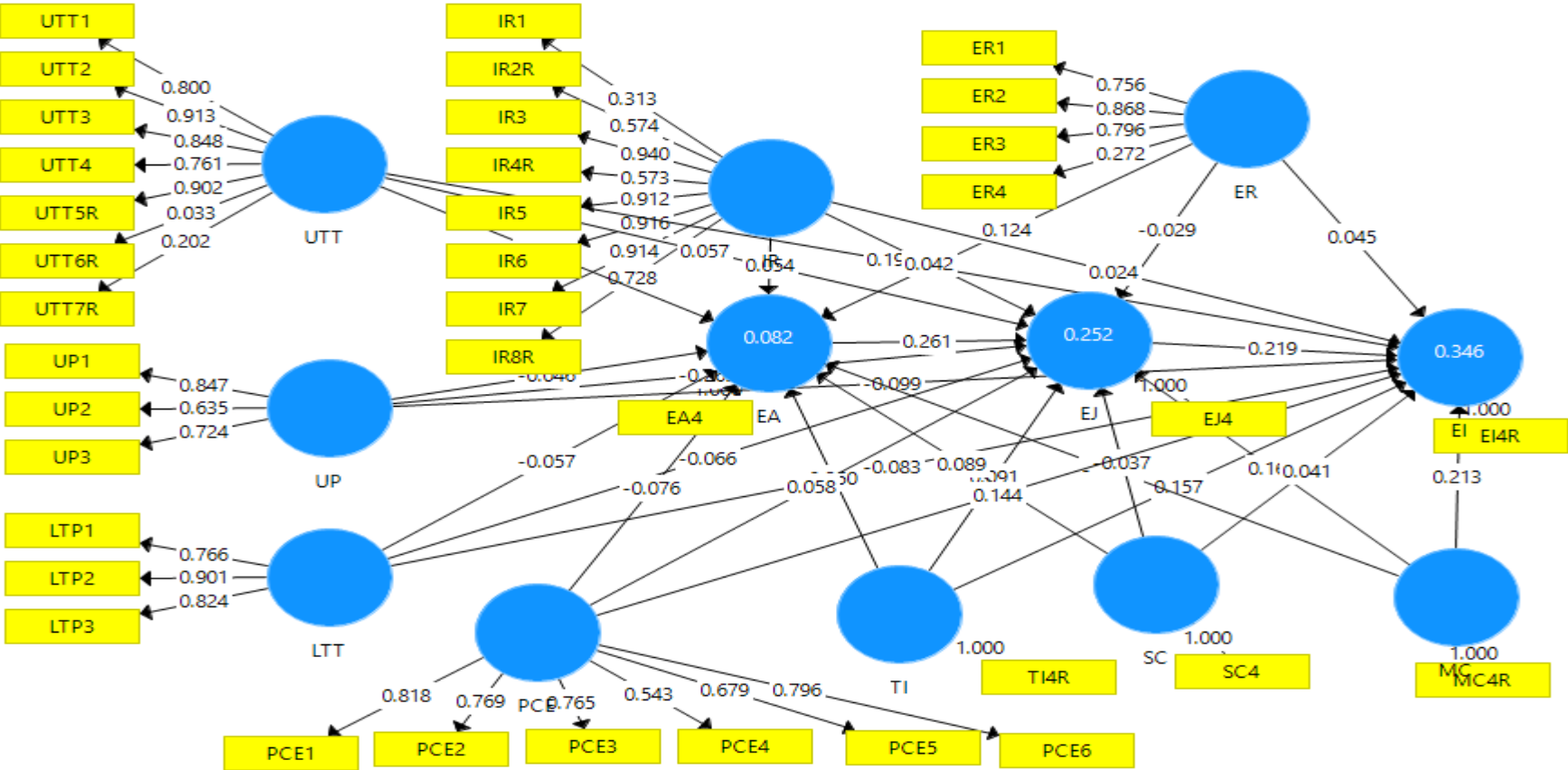
Appendix 11: Measurement model 1: Vignette 2



Appendix 12: Measurement model 1: Vignette 3



Appendix 13: Measurement model 1: Vignette 4



Appendix 14 : V1- Heterotrait-Monotrait Ratio (HTMT)

	EA	EI	EJ	ER	IR	LTP	MC	PCE	TI	SC	UP
EA											
EI	0.334										
EJ	0.368	0.546									
ER	0.085	0.106	0.100								
IR	0.018	0.053	0.038	0.058							
LTP	0.058	0.248	0.048	0.054	0.067						
MC	0.254	0.519	0.343	0.119	0.059	0.241					
PCE	0.084	0.120	0.162	0.225	0.027	0.109	0.068				
TI	0.171	0.435	0.203	0.042	0.044	0.199	0.363	0.100			
SC	0.107	0.176	0.229	0.032	0.052	0.024	0.186	0.048	0.104		
UP	0.046	0.144	0.053	0.108	0.113	0.546	0.046	0.284	0.097	0.057	
UTT	0.128	0.104	0.152	0.122	0.063	0.228	0.113	0.054	0.063	0.133	0.551

Appendix 15: V2 - Heterotrait-Monotrait Ratio (HTMT)

	EA	EI	EJ	ER	IR	LTP	MC	PCE	TI	SC	UP
EA											
EI	0.157										
EJ	0.229	0.359									
ER	0.127	0.057	0.072								
IR	0.055	0.027	0.050	0.070							
LTP	0.059	0.329	0.128	0.054	0.065						
MC	0.083	0.525	0.179	0.031	0.041	0.278					
PCE	0.131	0.126	0.159	0.219	0.030	0.102	0.106				
TI	0.035	0.440	0.208	0.046	0.042	0.281	0.645	0.090			
SC	0.074	0.191	0.227	0.090	0.043	0.104	0.156	0.083	0.076		
UP	0.147	0.247	0.411	0.108	0.108	0.546	0.135	0.267	0.245	0.131	
UTT	0.067	0.161	0.167	0.122	0.059	0.228	0.090	0.050	0.088	0.106	0.551

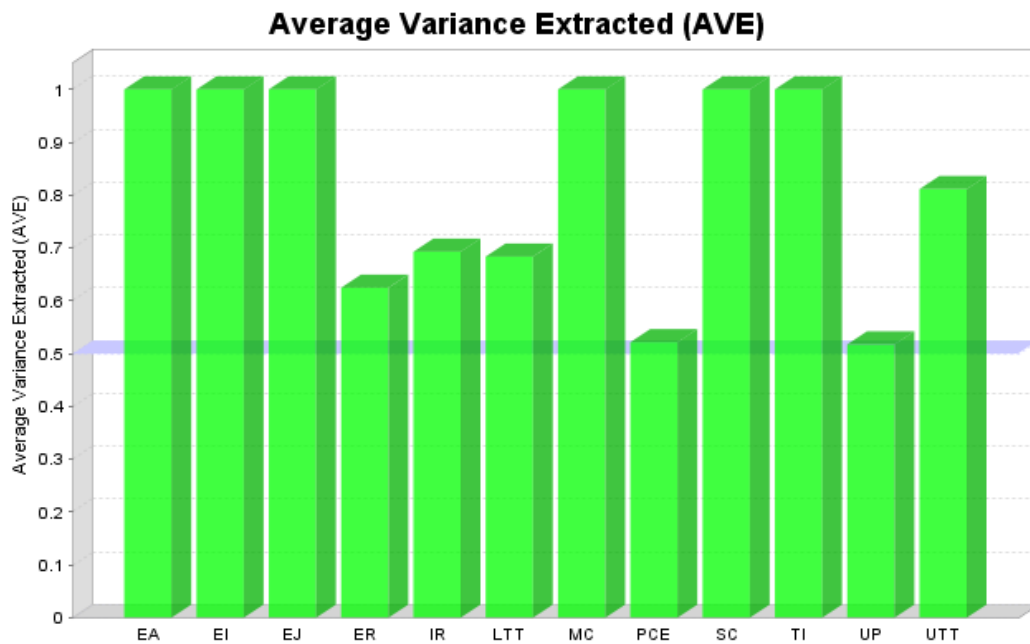
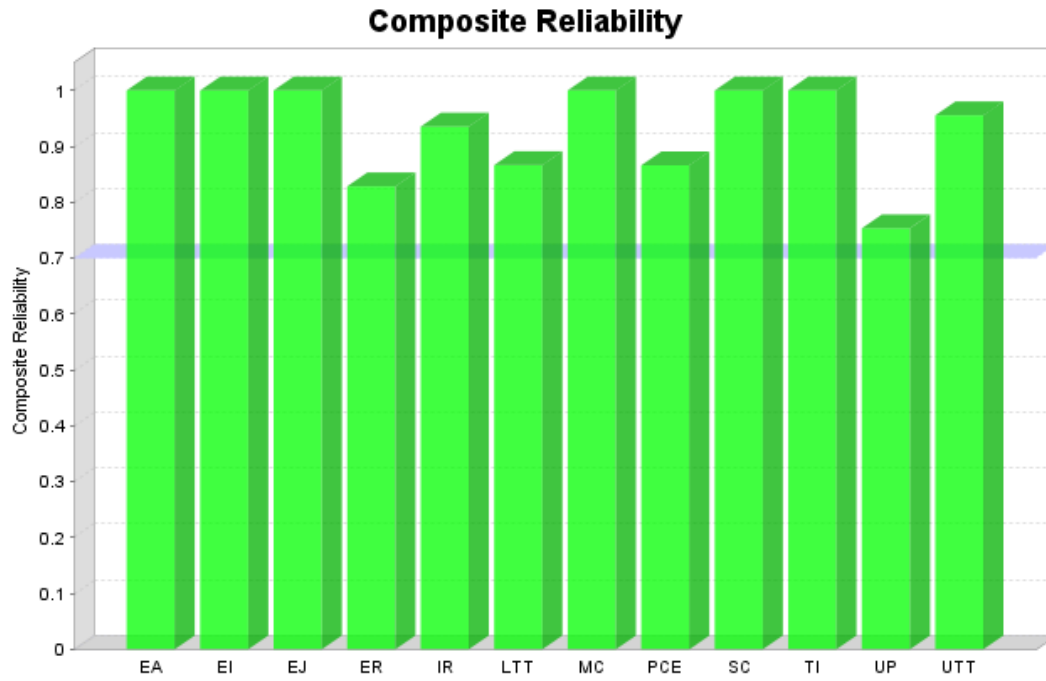
**Appendix 16 : V3 - Heterotrait-Monotrait Ratio
(HTMT)**

	EA	EI	EJ	ER	IR	LTP	MC	PCE	TI	SC	UP
EI	0.075										
EJ	0.241	0.156									
ER	0.122	0.021	0.096								
IR	0.056	0.041	0.055	0.070							
LTP	0.093	0.292	0.094	0.054	0.065						
MC	0.119	0.598	0.071	0.058	0.026	0.212					
PCE	0.126	0.276	0.176	0.219	0.030	0.102	0.073				
TI	0.109	0.627	0.135	0.043	0.040	0.256	0.564	0.202			
SC	0.083	0.164	0.061	0.103	0.034	0.094	0.064	0.082	0.119		
UP	0.069	0.340	0.350	0.108	0.108	0.546	0.294	0.267	0.318	0.140	
UTT	0.101	0.018	0.083	0.122	0.059	0.228	0.054	0.050	0.038	0.064	0.551

**Appendix 17 :V4 - Heterotrait-Monotrait Ratio
(HTMT)**

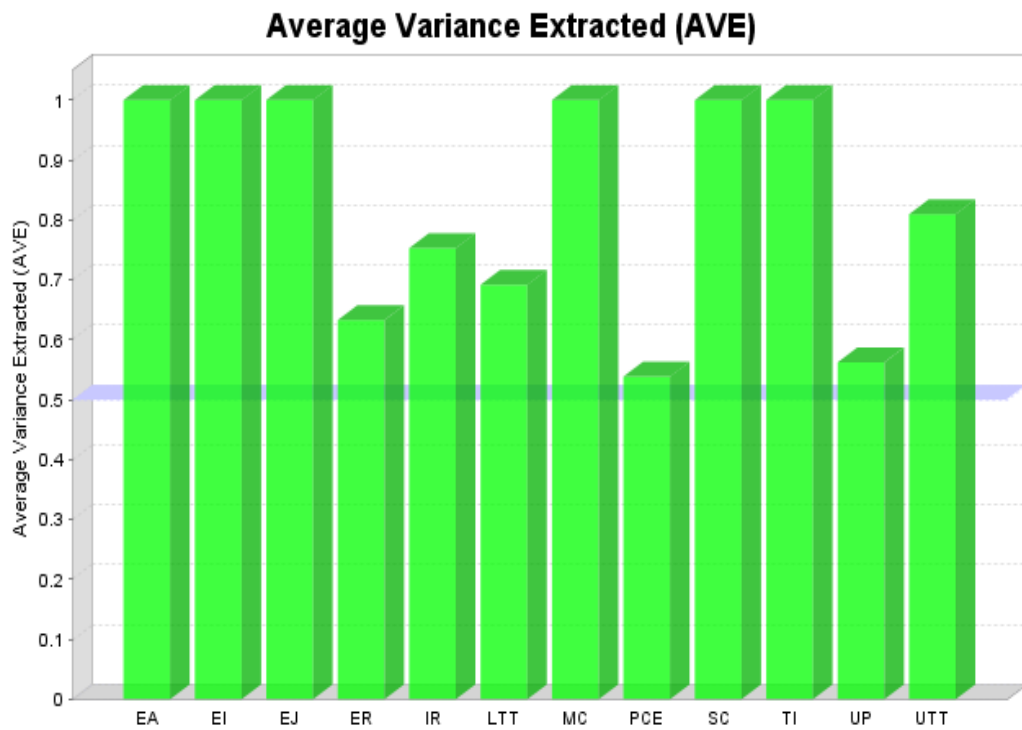
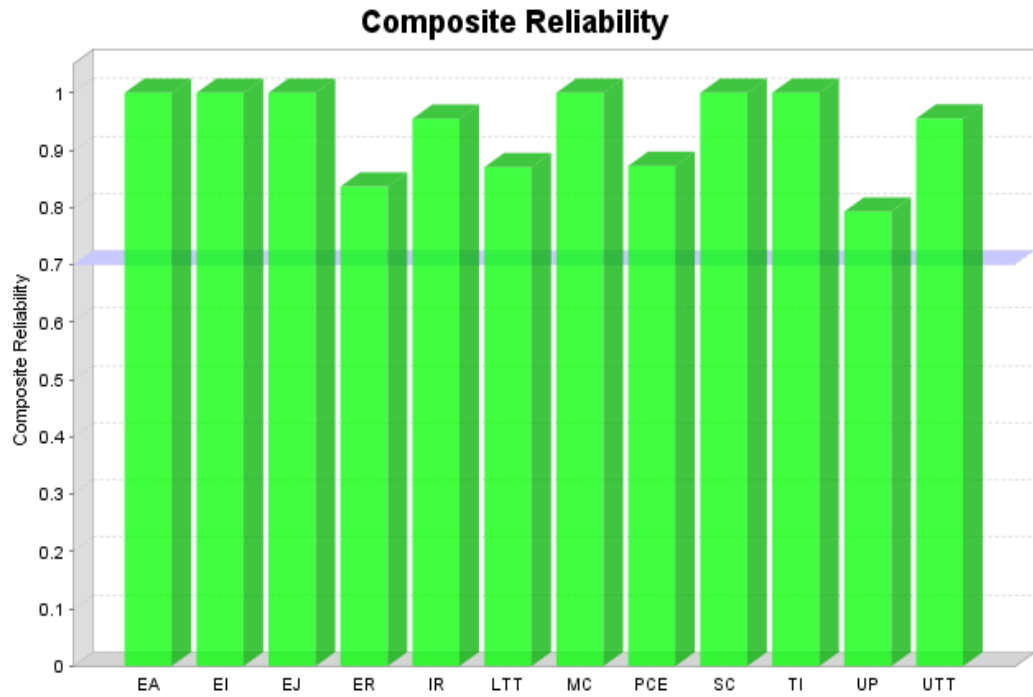
	EA	EI	EJ	ER	IR	LTP	MC	PCE	TI	SC	UP
EI	0.112										
EJ	0.309	0.384									
ER	0.132	0.135	0.052								
IR	0.037	0.020	0.047	0.089							
LTP	0.094	0.227	0.245	0.054	0.065						
MC	0.033	0.380	0.244	0.134	0.026	0.137					
PCE	0.055	0.288	0.165	0.219	0.029	0.102	0.109				
TI	0.210	0.398	0.279	0.046	0.009	0.133	0.423	0.280			
SC	0.094	0.109	0.033	0.080	0.026	0.090	0.146	0.037	0.057		
UP	0.090	0.228	0.389	0.108	0.094	0.546	0.134	0.267	0.154	0.057	
UTT	0.054	0.111	0.075	0.122	0.063	0.228	0.034	0.050	0.131	0.049	0.551

**Appendix 18: Reliability and Validity of final measurement Model 1 –
Vignette 1**



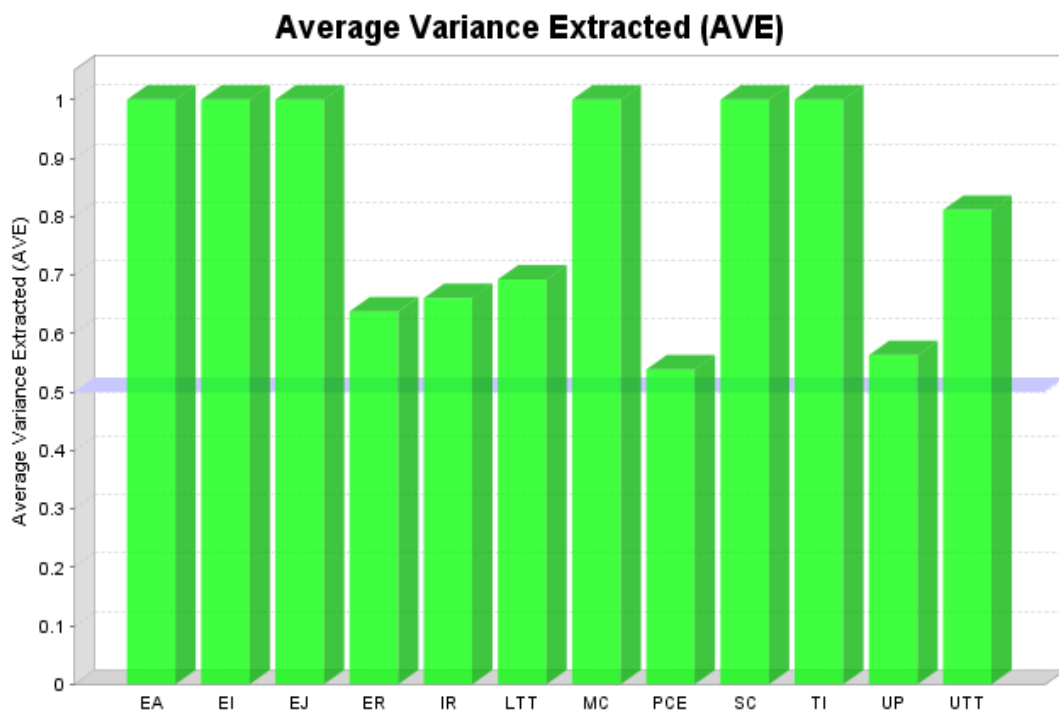
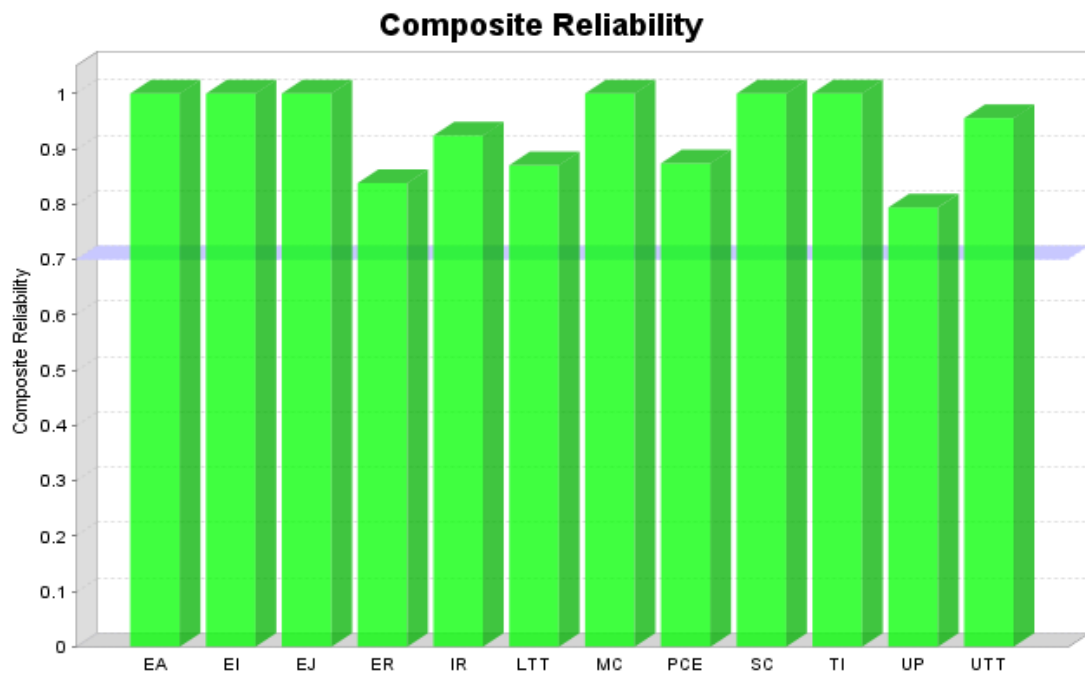
Appendix 19: Reliability and Validity of final measurement Model 2 - Vignette

2



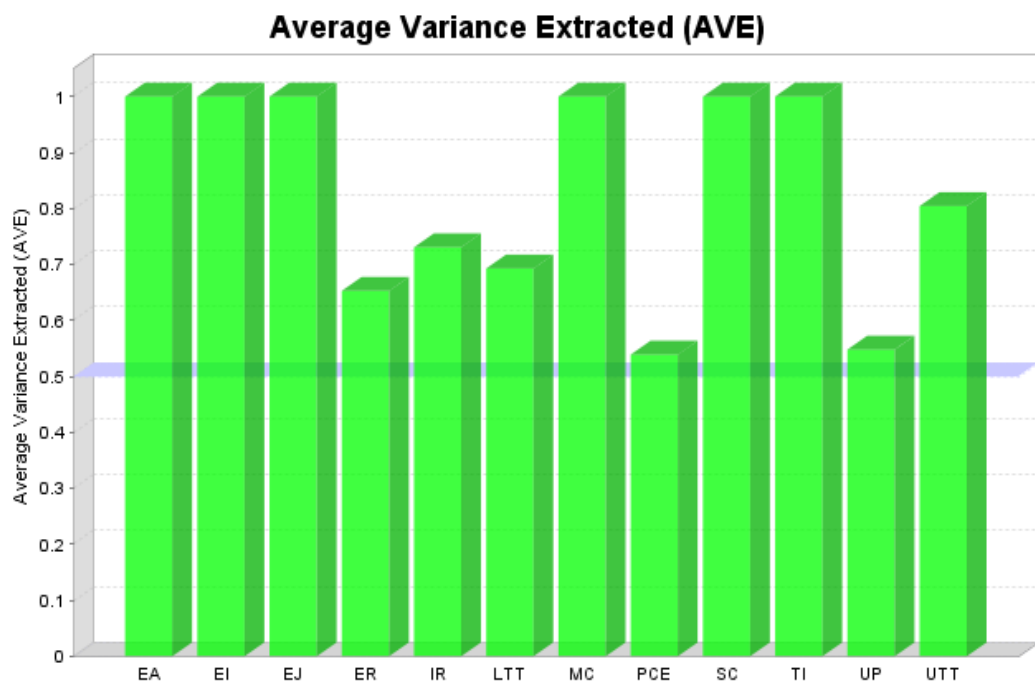
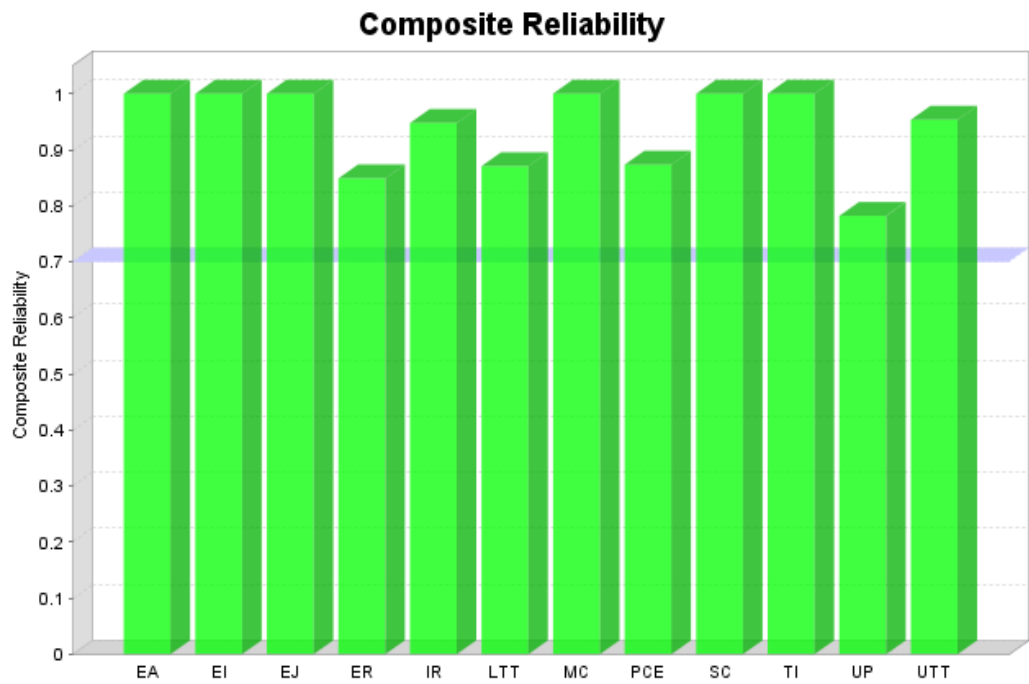
Appendix 20: Reliability and Validity of final measurement Model 3 - Vignette

3



Appendix 21: Reliability and Validity of final measurement Model 4 - Vignette

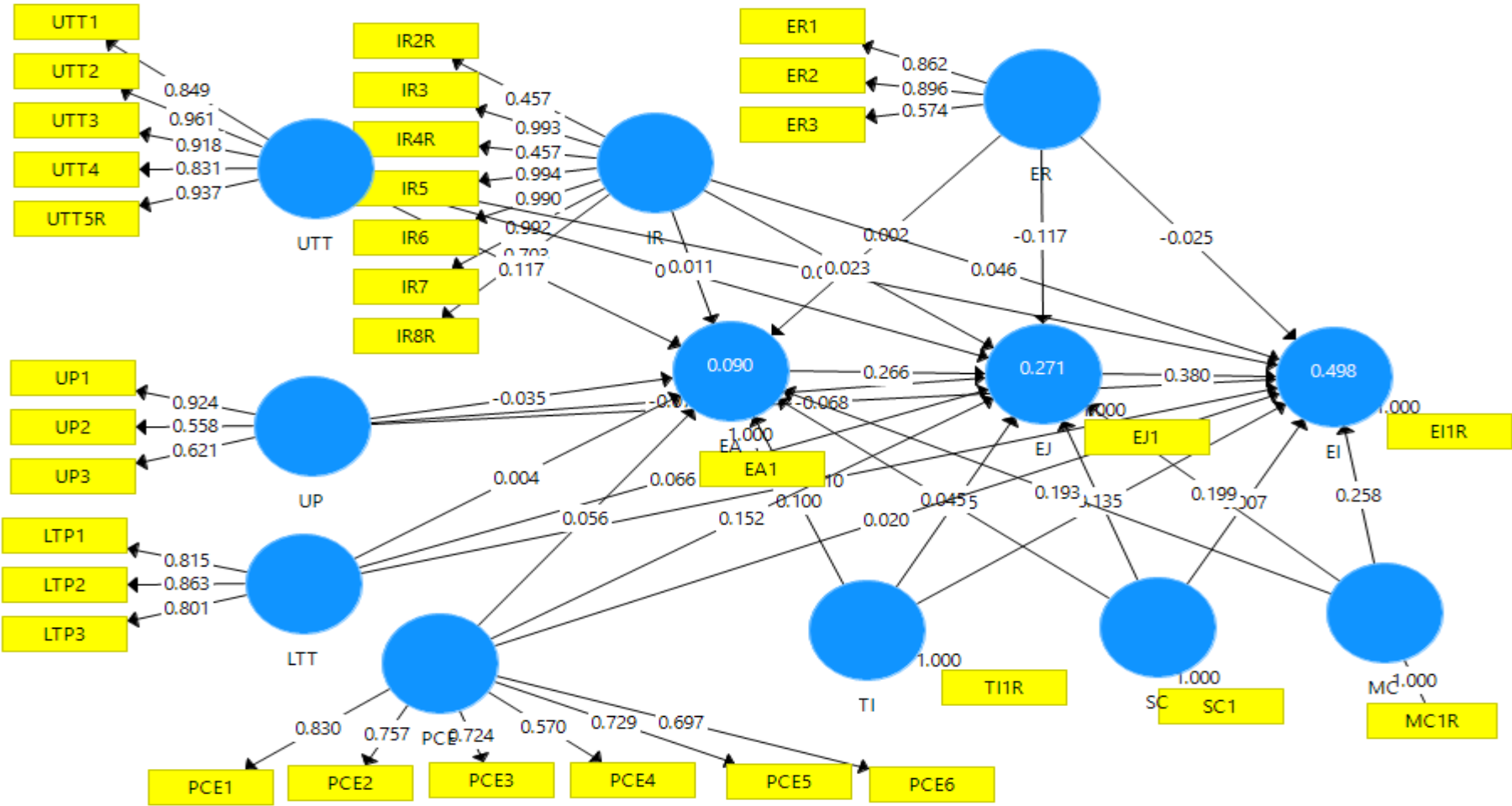
4



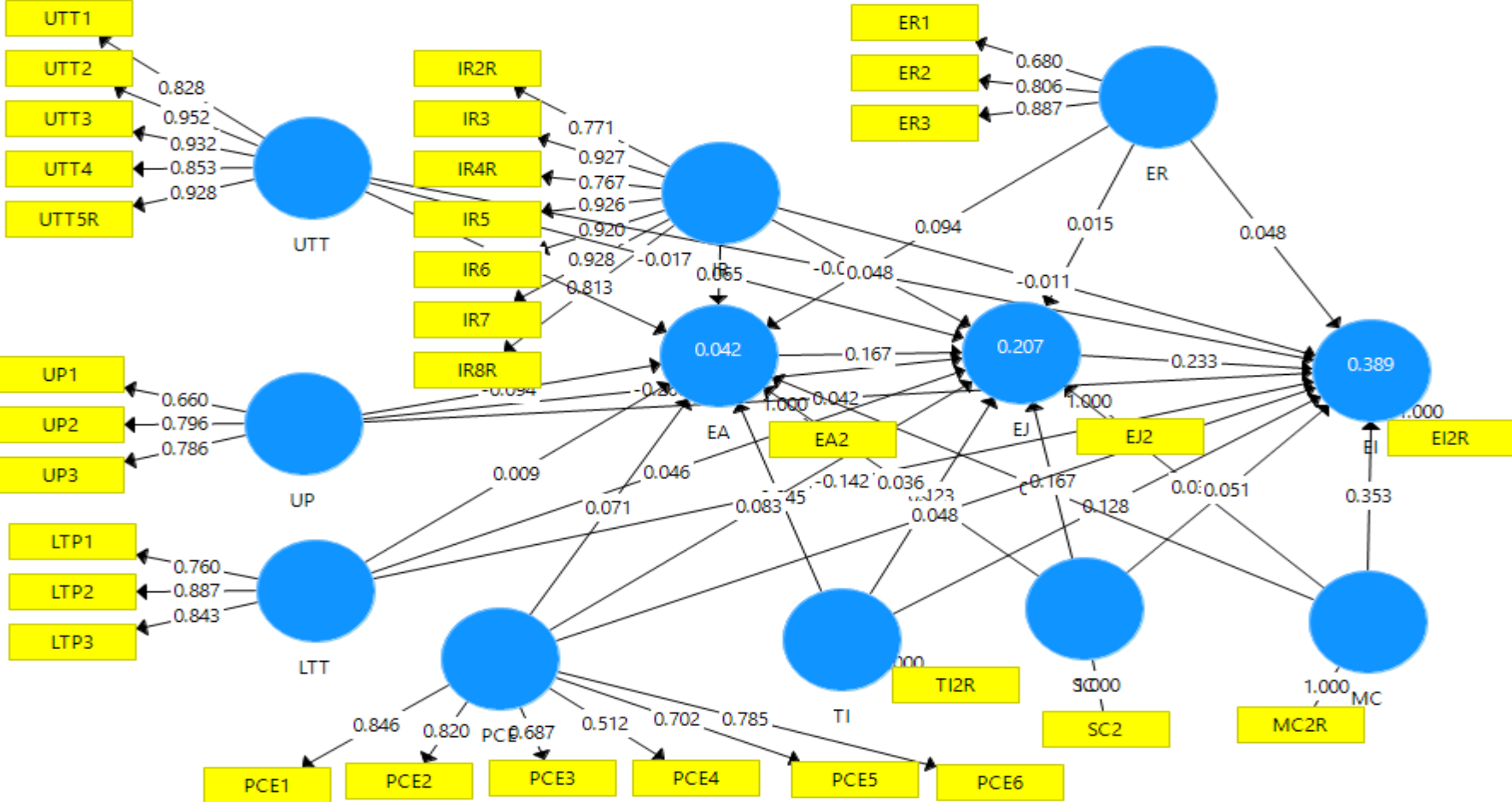
Appendix 22: Outer Loadings of indicators of final measurement models

Models and Indicators	V1	V2	V3	V4
Extrinsic religiosity				
ER1	0.862	0.680	0.874	0.755
ER2	0.896	0.806	0.870	0.868
ER3	0.574	0.887	0.627	0.797
ER4	Removed			
Intrinsic religiosity				
IR1	Removed			
IR2R	0.457	0.771	0.383	0.573
IR3	0.993	0.927	0.985	0.986
IR4R	0.457	0.767	0.377	0.572
IR5	0.994	0.926	0.987	0.989
IR6	0.990	0.920	0.981	0.987
IR7	0.992	0.928	0.985	0.987
IR8R	0.703	0.813	0.677	0.748
Unethical tone at Top				
UTT1	0.849	0.828	0.853	0.806
UTT2	0.961	0.952	0.961	0.940
UTT3	0.918	0.932	0.916	0.938
UTT4	0.831	0.853	0.831	0.878
UTT5R	0.937	0.928	0.935	0.916
UTT6R	Removed			
UTT7R				
Lack of Timely penalties				
LTP1	0.815	0.760	0.730	0.766
LTP2	0.863	0.887	0.894	0.901
LTP3	0.801	0.843	0.863	0.824
Unethical pressure				
UP1	0.924	0.660	0.748	0.847
UP2	0.558	0.796	0.712	0.635
UP3	0.621	0.786	0.789	0.724
Familiarity of professional code of ethics				
PCE1	0.830	0.846	0.820	0.818
PCE2	0.757	0.820	0.807	0.769
PCE3	0.724	0.687	0.707	0.765
PCE4	0.570	0.512	0.592	0.543
PCE5	0.729	0.702	0.660	0.679
PCE6	0.697	0.785	0.789	0.796

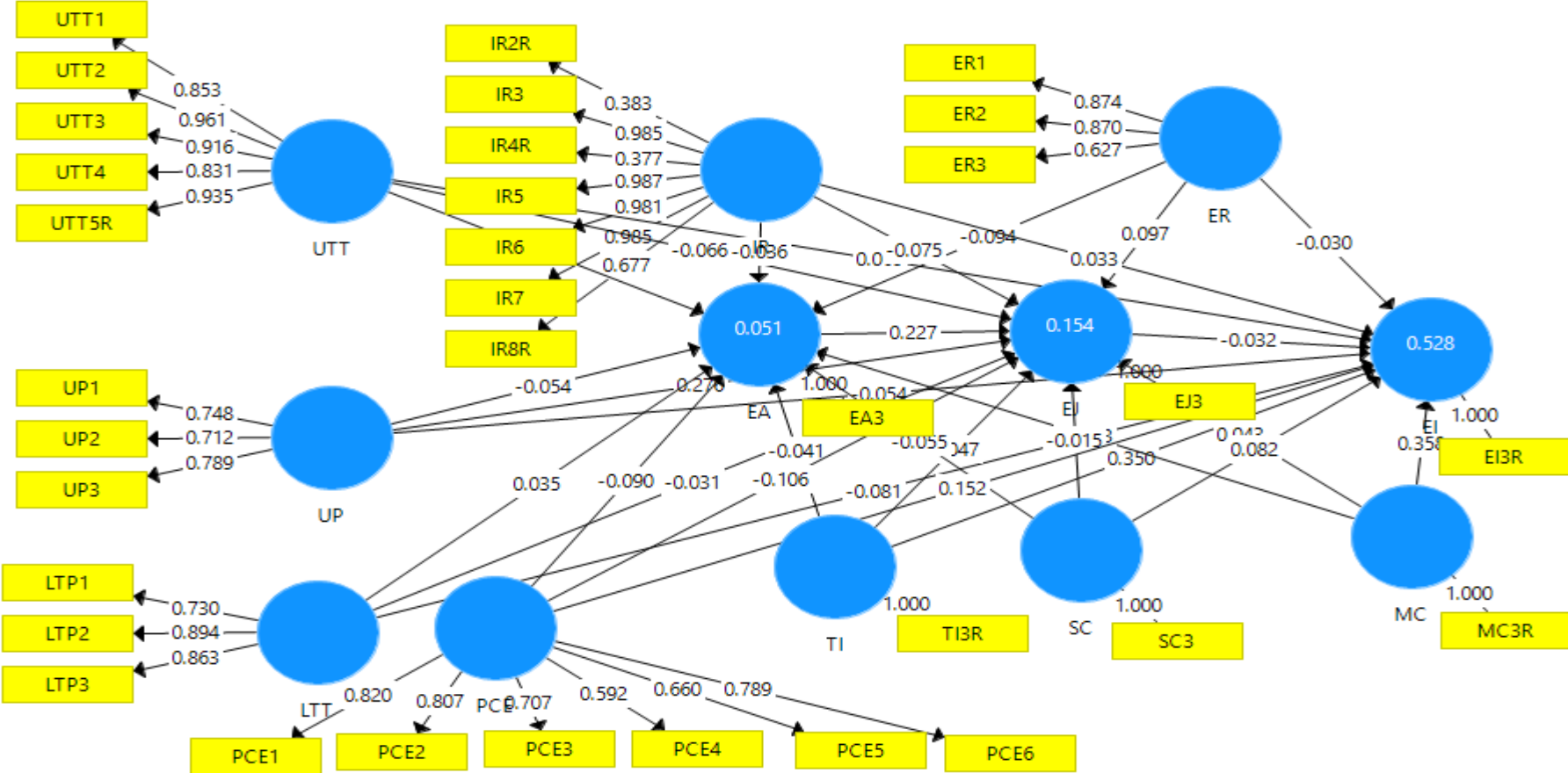
Appendix 23: Structural model 1: Vignette 1



Appendix 24: Structural model 1: Vignette 2



Appendix 25: Structural model 1: Vignette 3



Appendix 26: Structural model 1: Vignette 4

