

# Factors affecting ethical judgement of South African chartered accountants

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## **Abstract**

The start of the twenty-first century was marred by a spate of company collapses that involved fraudulent accounting activity. In many cases, company executives, many of whom belonged to the accounting profession, perpetrated the fraud. As a result, internationally, the accounting profession has suffered an enormous loss of goodwill, and its reputation as a profession with integrity has been severely harmed. Accounting professionals are no longer accorded the high regard they commanded in the past.

The consequences for the profession have been far-reaching: accounting now faces a long, uphill battle to restore its reputation and to regain the trust of the international business community.

This study replicates two famous international studies in the South African context. The focus of the study was to establish whether factors such as the Code of Professional Conduct of the South African Institute of Chartered Accountants (SAICA), the corporate ethical environment and their age influence the ethical judgement of individual accountants. The first such study was conducted in the United States of America (USA), and it was followed by similar research in Turkey. The results of these two studies suggested very different factors that could influence accountants' ethical judgement. The study reported in this article investigated South African chartered accountants; and its results were similar to those obtained in the US study.

## **Key words**

*Code of Professional Conduct*

*Corporate ethical values*

*Ethics*

*South African Institute of Chartered Accountants (SAICA)*

*Unethical behaviour*

## **1 Introduction**

This study attempts to determine whether there is any significant relationship between the importance that chartered accountants attach to an ethical code, corporate ethical values and respondents' judgements in situations involving ethical issues. In recent years, increased attention has been paid to ethics, especially since several cases (both local and

international) where corporations and investors suffered significant losses due to unethical behaviour made news headlines. In many of these instances, managers misrepresented financial data in an attempt to conceal information that might have had a negative impact on investor confidence and could have tarnished the image of the company.

These cases highlight the necessity of independent auditing. The importance of this activity in business can be traced back to the industrial revolution, when increased productive capacity necessitated increased sources of capital, since traditional family-owned businesses were no longer able to fund future growth and expansion. The businessmen of the day were forced to pool their resources and so the system of shares held in newly formed entities called companies began to replace the traditional mode of operation as sole traders. The pooling of resources also meant that not all parties were involved in the day-to-day affairs of the company and a separation began to develop between ownership and management. This then made it necessary for the company to be overseen by an independent third party, the auditor, who can express an expert opinion on the financial performance and position of the company and so offer a measure of security to shareholders.

For much of the twentieth century, the evolution of the auditor's role centred on the issue of independence. Investors were primarily concerned with securing an unbiased opinion from a third party who had nothing to gain personally from the business. In essence, investors were looking for a profession in which to place their trust. Blois (2003:186), in his research into a relationship of trust between British retailer Marks and Spencer and their suppliers, notes that 'to trust somebody means that you do not believe that it is necessary to safeguard yourself against some possible harmful actions by them'. Sheldahl (1980) notes that trust and fairness are critical components of any professional code of conduct. For much of the twentieth century, the auditing profession was therefore undoubtedly accorded high esteem as far as moral and ethical issues are concerned.

This changed, however, in the late 1990s and at the dawn of the twenty-first century. The new millennium brought with it a spate of company collapses involving fraudulent accounting activities. Often company executives were the perpetrators of this fraud. In many cases auditors were accused of a lack of independence and failure to perform their duties adequately. The accounting profession was internationally exposed in a humiliating fashion, and public perceptions of auditors plunged to levels never experienced before. The business world was forced to realise that, as Prozesky (2000:2) puts it, 'humanity...has been better at discovering what the universe is like than at living nobly in it'.

These corporate failures caused enormous financial loss and heartache for many and their effects will no doubt reverberate in the international business community for years to come. In particular, the accounting profession may need to walk a long road to restore its lost reputation. Longstaff (2004:4) notes that 'an absence of ethics leads to a reduction in the level of trust that exists in a community'. Jones and Poneman (1993:412) claim that, although ethical reasoning is 'an important foundation in judgement, behaviour and action in accounting and auditing', accountants and accounting students are not developing 'ethical reasoning capacities commensurate with individuals of similar socioeconomic or educational backgrounds'.

In response to criticism such as this, the international accounting profession has begun mopping-up operations, instituting a world-wide drive to focus accountants' attention on the importance of ethics. In South Africa, executives are guided by the corporate

governance requirements of the King Report (Institute of Directors in Southern Africa 2002). Risk management is being improved, additional levels of governance within corporate structures are being introduced and additional reporting requirements are being put in place. A new emphasis is being placed on ethical corporate culture; and educational institutions are introducing courses in ethics as curriculum requirements for prospective accounting professionals.

## 2 Importance of this research

Longstaff (2004:3) suggests that the realm of ethics is widely viewed as an 'ethical landscape' or as a set of rules governing what is right and wrong. The problem with this, he points out, is that rules 'depend, for their effectiveness, on there being people who are inclined to observe them'. Carr (2003:7) argues 'that within the current environment questions of morality and social responsibility are ignored by organisations, no matter what their size, at their peril'. Irrespective of whether it is described as a landscape or as a set of rules, ethics must be accorded serious attention.

Any attempt by the accounting profession to regain its credibility must begin with a clear understanding of the present ethical climate and of the values enshrined in and the reliance placed on the Code of Professional Conduct (hereafter the Code) issued by the South African Institute of Chartered Accountants (SAICA). The Code seeks to establish a framework of professional and ethical standards that SAICA expects its members and associates to adhere to. These standards are based on the assumption that 'skills and integrity [are] the pre-eminent professional attributes of Chartered Accountants (South Africa)' (SAICA 2003:69), and that the distinguishing mark of a profession is 'its responsibility to the public' (SAICA 2003:74). Sheldahl (1980:36) argues along similar lines, saying that 'one of the most important issues in any profession is the development of a viable code of professional ethics. A workable code helps to encourage a relationship of trust and respect between those served by the profession and those in it'.

In a survey of accountants in industry done over 30 years ago, Lambert (1974) found that a majority of 82.67% of the respondents were in favour of a code of professional conduct as a guide of practice. However, a survey conducted by KPMG in 2002 revealed that 'South African organisations have not been able to integrate ethics management practices into their existing management processes and many [are] only paying lip service to ethics' (Malan 2002:1). Malan (2002) also notes that, while many organisations have a code of ethics, few show visible commitment to ethical practice.

'Ethical behaviour is not just the right thing to do – it is a necessity. If the profession and the practitioner's career are to thrive there must be a prevailing pattern of responsible conduct' (Sheldahl 1980:36). In order to develop and maintain such a prevailing pattern in the profession as a whole, individuals must be able to rely on two factors as frameworks of morally appropriate action: the code and an ethical corporate environment.

Codes of conduct can be problematic. As an Accounting Department Management Report issued by the Institute of Management Accountants (2002) in October 2002 notes, a strict literal standard in a professional code of conduct is not always easy to apply in practice, where ethical conduct often requires more complex consideration. Nevertheless, as Sheldahl (1980) argues, a professional code at least provides rules of standard practices and guidance for dealing with ambiguous situations. In fact, he suggests that an appropriately

styled code should encourage practitioners to aspire to standards even higher than those embodied in the code itself.

The presence of an appropriate code should contribute to the establishment of a corporate environment in which ethical standards are upheld. This means that professionals, in particular, seek to maintain the integrity of their profession and the corporation within which they work. Hunt, Wood and Chonko (1989:79) comment that 'though there is no universally accepted definition, corporate ethical values are considered to be a composite of the individual ethical values of managers and both the formal and informal policies on ethics of the organisation'. On the basis of their study of excellent companies, Peters and Waterman (1982) point out that virtually all firms with superior performance have at their core a well-defined set of ethical values. Richtermeyer, Greller and Valentine (2006:23) argue that 'ethicality at the organisational level provides the context that can drive an individual's response to an ethical dilemma in the workplace'.

This study aims to test the relevance and effectiveness, first, of the SAICA Code and, second, of an ethical corporate environment in respect of the ethical decisions made by accountants in practice. The study uses the corporate ethical values (CEVs) developed by Hunt *et al.* in 1989. These CEVs attempt to capture the broader principles of the ethical issues facing organisations, their interest in these issues and the ethical correctness of their actions. Hunt *et al.* (1989) also mention a study conducted by Brief and Aldag (1980), which found that age was a reliable predictor of behaviour. Therefore, a third factor tested by this study is the relationship between age and ethical behaviour.

The research carried out in this study follows the design of an original study conducted by Martinson and Ziegenfuss (2000) in the United States of America (USA). A similar study was conducted in Turkey by Muslumov and Aras (2004). The research done in the USA and Turkey used the code of ethics of the Institute of Management Accountants (IMA). The IMA code is similar in its aims to the code issued by SAICA.

The results of the study conducted in the USA (Martinson & Ziegenfuss 2000) reveal strong support for the IMA's code of ethics among practising accountants. Significant relationships were found between respondents' ethical judgement and the importance that the respondents attach to the IMA code of ethics and their perceptions of their corporate ethical environment. Age only played a role in one instance.

The results of the study conducted in Turkey (Muslumov & Aras 2004) are very different. Respondents showed very little support for the IMA code of ethics and no significant relationships were found between the respondents' ethical judgement and their perceptions of the corporate ethical environment. However, the study did find that respondents who were more environmentally aware tended to show a greater appreciation for ethical issues. The results also showed stronger support for appropriate ethical actions among the younger respondents. However, this support weakened when they were confronted with issues involving corporate profitability.

### **3 Research hypotheses**

The purpose of the study reported in the current article was to determine the relationship between ethical judgement and the code and an ethical corporate climate. The research questions can be expressed as hypotheses as follows:

*Hypothesis 1:* There is a statistically significant relationship between the importance attached by South African chartered accountants to SAICA's Code of Professional Conduct and these accountants' ethical judgement.

*Hypothesis 2:* There is a statistically significant relationship between the respondents' perceptions of their corporate ethical environment and the respondents' ethical judgement.

*Hypothesis 3:* There is a statistically significant relationship between the respondents' ages and their ethical judgement.

## **4 Methodology**

### **4.1 Questionnaire**

The research data were collected using a questionnaire. Questionnaires were e-mailed to all the chartered accountants registered with SAICA, a population of more than 22 000 in total. In all, 2 696 responses were received, representing a response rate of over 12%. The questionnaire was e-mailed by SAICA, so a possible concern is that respondents may have answered the questions in a biased manner because they may have assumed that SAICA was asking them to critique its own code of conduct. Thus the reliability of the data can be questioned; this is a possible limitation of the study. As the questionnaire was not mailed to any other control group, the possible impact of this problem is impossible to calculate. Non-response bias may also possibly have affected the results.

Respondents were asked to rank their agreement or disagreement with various statements using a Likert-style rating. Possible responses ranged from 'unimportant' (a score of 1) to 'very important' (a score of 7) for the Code and 'strongly disagree' (a score of 1) to 'strongly agree' (a score of 7) for responses to the corporate ethical values and ethics scenarios. The questionnaire was divided into five sections, each of which is detailed below. A copy of the questionnaire is included as Annexure 1.

#### *Biographical details*

Respondents were asked to give details of their gender, age, position, employment sector and province.

#### *SAICA's Code of Professional Conduct*

SAICA's Code of Professional Conduct is divided into three main parts. Part A governs all members, associates and students. Part B applies to members and associates in public practice, and Part C to members and associates in commerce and industry. The code consists of a total of 24 ethical applications including all three sections. Respondents were asked to rank an abbreviated version of each ethical application contained in the code as to its importance as a guiding principle for their ethical conduct.

#### *Corporate ethical values*

Respondents were asked to respond to statements about the ethical culture of the organisation for which they work or in which they operate. They were asked to show to what extent they agree or disagree with the statements given in the questionnaire.

### *Ethics scenarios*

Respondents were asked to respond to the action taken by individuals in certain hypothetical ethical scenarios. They were asked to show to what extent they agree or disagree with the actions taken in the scenarios in the questionnaire.

### *Other considerations*

Respondents were required to answer 'yes' or 'no' to three questions about ethics, education and the influence of religious faith. These questions were included in the questionnaire to gauge the effect of SAICA's insistence that ethics be included in the Accounting curricula at South Africa's universities.

## **4.2 Description of the variables**

The responses to the ethical applications in each of the three parts of the Code were combined by section to give a total for each part. Thereafter, the responses to all 24 ethical applications contained in the Code were combined to give a total for the Code as a whole. A high overall score indicates that a respondent views the Code in its entirety as important, both in terms of its content and its practical use as a guiding principle in creating a sound ethical environment.

The corporate ethical value questions were designed to investigate the respondents' opinions on the ethical environment in which they operate and the emphasis placed on ethical issues in their corporations. Questions 6, 7 and 8 sought to establish whether emphasis on ethical issues in the corporate environment has increased over the past three years, particularly in view of the infamous international ethical debacles that occurred in recent times.

The ethics scenarios attempt to elicit the respondents' own judgements about the ethics of various actions. Independence and conflict of interest are fundamental issues addressed by the Code. Scenarios 1 and 3 involve actions that are questionable in terms of independence and conflict of interest, and Scenario 2 depicts ethically appropriate action.

The three final questions investigated the respondents' opinion as to whether or not ethics can be taught and, if it can be taught, whether it should be taught at university, and whether a person's moral judgement is influenced by his/her religious beliefs.

## **4.3 Data analysis**

Cronbach's Alpha and the Kaiser-Meyer-Olkin procedures were used to test for the reliability and sampling adequacy of the data. Logistic multinomial regression analysis was used to test for significant relationships between ethical judgement as the dependent variable, and SAICA's Code of ethics, corporate ethical values and the age of the respondent as the independent variables.

## **5 Results**

### **5.1 Reliability of the data**

In spite of the limitations of this study (as mentioned in Section 4.1 above), the number of respondents (2 696) is arguably significant enough to overcome any bias. The reliability of the data is confirmed by the following very positive statistical results:

Cronbach's Alpha: 0.937 (a score higher than 0.75 is good)  
Kaiser-Meyer-Olkin: 0.941 (a score higher than 0.75 is good)

## 5.2 Demographic profile

The table below details the demographic profile of the respondents.

**Table 1 Demographic profile of the respondents**

	Percentage	Number
<b>Gender</b>		
Male	74.9%	2001
Female	25.1%	671
<b>Age</b>		
20 to 30	19.0%	508
31 to 40	41.9%	1119
41 to 50	20.9%	558
51 to 60	12.5%	334
Over 60	5.7%	152
Mean $\pm$ 39.1		
Standard deviation: $\pm$ 10.8 years		
<b>Race</b>		
Black	2.8%	75
White	86.5%	2312
Indian	8.5%	227
Coloured	2.0%	53
Other	0.2%	5
<b>Sector</b>		
Public practice	28.4%	759
Education	3.9%	104
Commerce and industry	55.9%	1494
Other	11.8%	315
<b>Position</b>		
Manager	51.6%	1367
Academic	1.4%	37
Clerk	1.2%	32
Business owner	1.3%	34
Director	23.2%	615
Supervisor	3.1%	82
Sole practitioner	1.3%	34
Partner	12.1%	321
Consultant	2.3%	61
Analyst	1.0%	27
Other	1.5%	40

## 5.3 Statistical results

The relevant descriptive statistical results are set out in Table 2 and discussed below. The three scenarios were used as the dependent variables and the results for them were compared using logistic multinomial regression analysis to the independent variables, the Code, corporate ethical values and age. Table 2 represents the results of the regression analysis to test Hypotheses 1, 2 and 3.

**Table 2 Logistic multinomial regression models using ethical judgement as the dependent variable**

	Parameter estimate	Chi-square	Significance level
<b>Scenario 1</b>		<b>30.029</b>	<b>0.000</b>
SAICA Code of Professional Conduct	-0.013	14.462	0.000
CEVs	-0.021	9.808	0.002
Respondent's age	0.006	1.080	0.299
<b>Scenario 2</b>		<b>31.247</b>	<b>0.000</b>
SAICA Code of Professional Conduct	0.019	27.342	0.000
CEVs	0.002	0.070	0.791
Respondent's age	0.011	3.326	0.068
<b>Scenario 3</b>		<b>56.870</b>	<b>0.000</b>
SAICA Code of Professional Conduct	-0.023	34.685	0.000
CEVs	-0.018	5.761	0.016
Respondent's age	0.022	10.695	0.001

The results obtained from the ethical scenarios tended to reflect the inappropriateness of the actions in Scenarios 1 and 3 and the appropriateness of those in Scenario 2. Table 3 shows the means and standard deviations.

**Table 3 Mean scores and standard deviations for the three scenarios**

Scenario	Mean	Maximum score	Standard deviation
Scenario 1	2.83	7	1.50
Scenario 2	5.78	7	1.76
Scenario 3	1.75	7	1.46

### 5.3.1 Hypothesis 1

The results of the logistic multinomial regression analysis detailed above indicate that there is a highly significant relationship between the importance that South African chartered accountants attach to SAICA's Code and the professional judgement of these accountants. The p-value is less than 0.0001 for each of the three scenarios. Parameter estimates are negative for Scenarios 1 and 3, which represent inappropriate conduct, and positive for Scenario 2, where the conduct is appropriate.

The descriptive statistical results strongly support the significance of the Code, as shown by the mean and standard deviation for each of the parts and for the Code as a whole, as seen in Table 4.

**Table 4 Means and standard deviations for the three parts of the code**

SAICA Code	Mean	Maximum score	Standard deviation
Part A	67.14	77	8.27
Part B	54.77	63	7.29
Part C	25.29	28	3.12
Combined A,B & C	147.26	168	16.98

### 5.3.2 Hypothesis 2

The results for Hypothesis 2 only show a statistically significant relationship between perception of corporate ethical environment and an individual's ethical judgement in Scenarios 1 and 3 ( $p < 0.05$ ). This means that the relationship is significant for scenarios involving inappropriate conduct, but not significant for those involving positive conduct. The setting of the specific problem described in Scenario 2 is characterised by the lack of



an appropriately moral corporate environment. Possibly respondents felt that the appropriate action was taken in spite of the negative corporate ethical environment. This would explain why no significant relationship could be detected between the respondents' perceptions of the corporate ethical environment and the action taken in Scenario 2. Table 5 presents descriptive statistics for corporate ethical values.

**Table 5 Descriptive statistics for corporate ethical values**

CEV statement	Mean	Standard deviation	Percentage of responses in the three categories indicating agreement with the statement*
1	2.33	1.69	79%
2	2.12	1.70	83%
3	5.79	1.70	82%
4	5.95	1.64	84%
5	5.48	1.75	75%
6	3.82	2.14	45%
7	5.37	1.74	72%
8	4.95	1.83	62%

\* In other words, Categories 1,2 and 3 for a negative statement and Categories 5,6 and 7 for a positive statement.

CEV Statements 1 and 2 are negative, and respondents were expected to answer at the lower end of the Likert scale. The results do show low mean scores for these statements. CEV Statements 3 to 8 are all positive, and it was expected that respondents would answer at the higher end of the scale. Once again, the means scores fulfilled this expectation, except in the case of Statement 6, which is discussed in more detail below.

Responses to CEV Statements 1 to 5 generally suggest that respondents believe that the corporations in which they work frown on unethical behaviour. However, the results for Statements 6 to 8 are interesting. Respondents tend to agree that ethics has become more important and prominent (CEV 8) in their respective organisations over the past three years. While the majority of respondents agree that corporations **should** expect their employees to attend a course on business ethics (CEV 7), only 45% of respondents agree that the corporation they operate for or are employed by **does** expect them to attend a course in business ethics (CEV 6, for which the mean is only 3.82).

### 5.3.3 Hypothesis 3

The statistical results suggest that there is only a significant relationship between age and Scenario 3 ( $p < 0.05$ ), and no significant relationship between age and Scenarios 1 and 2. This means that the responses to Scenarios 1 and 2 were not influenced by age. A closer look at the significant relationship between age and Scenario 3 reveals that younger respondents tend to agree more with the fact that Scenario 3 shows inappropriate or unethical action (see Table 6 below). This is a positive outcome, as it shows a stronger ethical stance coming from the younger generation of accountants.

**Table 6 Relationship between age and ethical judgement**

Age	Number	Mean	Standard deviation
< 31	647	1.70	1.49
31 – 45	1315	1.71	1.39
> 45	656	1.89	1.56

#### 5.3.4 Other considerations

Table 7 shows the responses received to the final three questions.

**Table 7 Responses to the final three questions**

Question	Yes	No	% Positive response
1. Do you believe ethics can be taught?	2 233	437	83.6%
2. Do you believe that ethics should be taught at university?	2 443	227	91.5%
3. Do you believe that a person's moral judgement is influenced by his or her religious belief?	1 619	1 051	60.6%

It is clear from these responses that there is overwhelming support for the notion that ethics can be taught and that it should be taught at universities. SAICA has already initiated this approach with a requirement that all accredited institutions offering the Certificate in Theory of Accountancy include a course in ethics in the undergraduate programme followed by prospective chartered accountants. SAICA also plans to ensure that the final qualifying examination for chartered accountants will, in future, test ethical issues as well.

## 6 Conclusion

This study has produced interesting results that strongly confirmed support for SAICA's Code of Professional Conduct. This should offer a measure of comfort to SAICA as it attempts to create and maintain a strongly ethical culture within the ranks of its members. However, it must be remembered that the study conducted by Martinson and Ziegenfuss (2000) in the USA had similar findings, from which they concluded that the American accounting fraternity was aware of the need for ethics and postulated that, in turn, this would have a positive influence on the business environment. However, as we now know, history revealed a very different outcome in the number of corporate failures resulting from ethically inappropriate behaviour.

Therefore, in the South African context, we can perhaps take some cautious comfort in the positive results of this study, but we must also remain acutely aware that our task does not end here. As the results from Turkey suggest (Muslumov & Aras 2004), a strong ethical culture needs continuous development. Certainly, the respondents in this South African study believe that more emphasis needs to be placed on ethics and that employees should be required to attend courses in ethics.

Abdolmohammadi, Read and Scarbrough (2003:80) suggest that 'perhaps the continuous self examination required in our current legal system holds the accountants to the highest standard of juridification rather than of ethical cognition'. They also note that 'we cannot dismiss the need for better training of accountants in ethical reasoning' (Abdolmohammadi *et al.* 2003:80). Whether we believe that ethics is ingrained in a person's character, or that it can be taught, we cannot deny that a code of conduct and an appropriate corporate ethical environment do contribute significantly to a stronger culture of ethics.

The journey to restoring chartered accountants' reputation for integrity has begun. This journey may take some time. It will only end successfully if we wake up and work at rebuilding an ethical corporate culture.

It would be useful to repeat this kind of study in the South African context at biennial intervals. This will allow results to be tracked over time and then the development of trends

can be explored. The perceptions of ethics and the ethical environment created by the new generation of accounting students who enter commerce armed with a course in ethics to complement the wealth of technical expertise they gain at tertiary level will be of particular interest.

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## Annexure 1

### QUESTIONNAIRE

#### RESPONDENT'S DEMOGRAPHIC DETAILS

1 Gender

Male	Female
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2 Age

20 to 29	30 to 39	40 to 49	50 to 59	60+
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3 Position held

Director	Partner	Manager	Supervisor	Clerk	Other (please specify):
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4 Qualifications

CA(SA)	CIMA	MBA	Other (please specify):
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5 Commerce and industry / Public practice / Other

Commerce & industry	Public practice	Education	Other (please specify):
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6 Province

Gauteng	
Mpumalanga	
Limpopo	
North West	
Free State	
Western Cape	
Northern Cape	
Eastern Cape	
Kwazulu Natal	

#### EVALUATION OF THE CODE OF PROFESSIONAL CONDUCT

##### **The Code of Professional Conduct of the South African Institute of Chartered Accountants**

Members of the South African Institute of Chartered Accountants have a responsibility to abide by the Code of Professional Conduct that governs the following professional attitudes and behaviours.

***Please rank each statement from 1 (unimportant) to 7 (extremely important) with regard to the degree of influence you believe it has as a guiding principle.***

##### **Part A: Applicable to all members, associates and students**

1 Joint and vicarious liability

- Can be held liable for a breach of the code caused by employees, subordinates, partners, fellow shareholders or members.

1	2	3	4	5	6	7
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2 Integrity and objectivity

- Be fair, honest and free of conflicts of interest, prejudice and bias.
- Avoid relationships or interests, whether direct or indirect which could adversely influence his/her capacity to act with integrity and objectivity.

1	2	3	4	5	6	7
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3 Conflicts of interest

- Be and appear to be free of any influence, interest or relationship, whether direct or indirect, which might be regarded as being incompatible with integrity, objectivity and independence.

1	2	3	4	5	6	7
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4 Professional competence

- Should not undertake or continue with professional services which he/she is not competent to carry out unless competent advice and assistance is obtained so as to enable the satisfactory performance of such services.
- Adopt a programme of continuing professional education.

1	2	3	4	5	6	7
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5 Confidentiality

- Respect the confidentiality of information regarding client's or employer's affairs.
- Should not use or appear to use such information for personal or third party advantage.

1	2	3	4	5	6	7
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6 Tax practice

- Act in the best interests of the client, applying professional competence and in a manner consistent with the law.

1	2	3	4	5	6	7
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6A Insolvency practice

- Should not accept appointment if disqualified from doing so.
- Must render and perform the services in the best interests of the creditors.

1	2	3	4	5	6	7
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7 Discrimination

- Should not practise discrimination of any form against any person.

1	2	3	4	5	6	7
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8 Cross-border activities

- Must always abide by the strictest code of ethics, either IFAC or the code of the country where the work is being conducted.

1	2	3	4	5	6	7
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9 Publicity, advertising and solicitation

- Should always be done professionally, in good taste and in a manner that is consistent with the dignity of the profession.

1	2	3	4	5	6	7
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10 Responsibilities to colleagues

- Should conduct himself/herself in a manner which will promote co-operation and good relations within the profession.

1	2	3	4	5	6	7
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**Part B: Applicable to members or associates in public practice**

11 Independence

- Independence is required both in mind and appearance in all assurance engagements.

1	2	3	4	5	6	7
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12 Fees for professional services

- Must always perform services with integrity and objectivity and in accordance with the appropriate technical standards and is entitled to be fairly remunerated for such services.

1	2	3	4	5	6	7
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13 Signing reports or certificates

- May not delegate such signing to anyone who is not a partner.

1	2	3	4	5	6	7
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14 Stationery and letterheads

- Should be of an acceptable professional standard.

1	2	3	4	5	6	7
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15 Activities incompatible with the practice of public accountancy

- Should not concurrently engage in business and activities that impair or may impair integrity, objectivity, independence or the reputation of the profession.

1	2	3	4	5	6	7
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16 Client's monies

- Should not hold client's monies if there is reason to believe they were obtained from or will be used in illegal activities.

1	2	3	4	5	6	7
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17 Relations with other members and associates in public practice.

- Before accepting a prospective client, enquire as to whether he/she has an existing accountant.
- May not restrict a client's freedom of choice in obtaining special advice.
- Comply with instructions from a client's existing accountant.

1	2	3	4	5	6	7
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18 Recruiting

- May offer bursaries and prizes.
- Should not offer employment to an employee of another member without first informing the latter of such intention.

1	2	3	4	5	6	7
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19 Inclusion of the name of a member or associate in public practice in a document issued by a client.

- Ensure that permission is always obtained first.
- Ensure that the document is not misleading.

1	2	3	4	5	6	7
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**Part C: Applicable to members and associates in commerce and industry**

20 Conflict of loyalties

- Employees should support their organisation's legitimate and ethical objectives.
- Employees may not be asked to break the law, breach the standards of the profession, lie or misrepresent the facts.

1	2	3	4	5	6	7
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21 Support for professional colleagues

- Respect the judgements of others and deal with differences of opinion in a professional manner.

1	2	3	4	5	6	7
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22 Professional competence

- Do not mislead people as to your level of expertise and experience.
- Always be prepared to seek professional expertise and assistance where necessary.

1	2	3	4	5	6	7
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23 Presentation of information

- Present all information fully, honestly and professionally so that it can be fully understood.

1	2	3	4	5	6	7
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## CORPORATIVE ETHICAL VALUE QUESTIONNAIRE

Source: Martinson and Ziegenfuss (2000); initially developed by Hunt, Wood and Chonko (1980).

CEVs 6 to 8 have been added by the author.

**Please rank each statement from 1 (strongly disagree) to 7 (strongly agree).**

CEV1: Managers in our company often engage in behaviour that I consider to be unethical.

1	2	3	4	5	6	7
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CEV2: In order to succeed in our company, it is often necessary to compromise your ethics.

1	2	3	4	5	6	7
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CEV3: Top management in our company has let it be known in no uncertain terms that unethical behaviour will not be tolerated.

1	2	3	4	5	6	7
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CEV4: If a manager in our company is discovered to have engaged in unethical behaviour that results primarily in personal gain (rather than corporate gain), he / she will be promptly reprimanded.

1	2	3	4	5	6	7
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CEV5: If a manager in our company is discovered to have engaged in unethical behaviour that results primarily in corporate gain (rather than personal gain), he/she will be promptly reprimanded.

1	2	3	4	5	6	7
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CEV6: Employees in our company are expected to attend a course (in-house or other) in business ethics.

1	2	3	4	5	6	7
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CEV7: Employees should be expected to attend a course in business ethics.

1	2	3	4	5	6	7
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CEV8: Ethics has become a more prominent issue in our company in the past three years.

1	2	3	4	5	6	7
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**ETHICS SCENARIOS**

Source: Martinson and Ziegenfuss (2000); initially developed by Hunt, Wood and Chonko (1980). The scenarios have been adapted to suit the South African context.

*Please rank your response to the action taken in each of the scenarios detailed below from 1 (strongly disagree) to 7 (strongly agree).*

**Scenario 1**

An accountant is assigned to lead a team of employees to review a company that may be acquired. The team spends four months reviewing the target company, which is located in Cape Town. At the completion of this review, the target company is acquired at the price per share recommended by the team.

**Action:** During the course of the review, the management accountant becomes very friendly with the assistant accountant of the target company, and they begin dating.

1	2	3	4	5	6	7
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**Scenario 2**

An accountant employed as an assistant has been placed in charge of accounts payable. One day while verifying an invoice from a waste management firm, the assistant becomes concerned that the firm is improperly disposing of the company's hazardous waste. Further investigation by the assistant reveals that the waste is not being dumped properly.

**Action:** The assistant tells his manager about the disposal problem. The manager responds by saying it is not their problem; the assistant should not worry about it. The assistant notifies the company's CEO.

1	2	3	4	5	6	7
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**Scenario 3**

An accountant is employed as the financial director of a midsize firm. The company has a very poor year that results in the other members of top management being fired. The new management team takes over before the financial statements for the year are released. The new CEO directs the financial director to increase the amount of the provision for doubtful debts, beyond the estimated requirement, to make the predecessor CEO look especially bad.

**Action:** The financial director makes the necessary entry to increase the provision for doubtful accounts.

1	2	3	4	5	6	7
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**OTHER CONSIDERATIONS**

1 Do you believe that ethics can be taught?

Yes	No
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2 Do you believe that ethics should be taught at university?

Yes	No
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3 Do you believe that a person's moral judgement is influenced by his/her religious beliefs?

Yes	No
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