

**ACCOUNTING STUDENT'S PERCEPTION ON  
AUDITOR'S UNETHICAL BEHAVIOR: THE  
ROLE OF ETHICAL SENSITIVITY, ETHICAL  
ORIENTATION AND MORAL REASONING**



**UNDERGRADUATE THESIS**

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Submitted by :

**MARSALIA INTAN ANTARIA PUTRI**  
**12030114130137**

**FACULTY ECONOMICS AND BUSINESS**  
**DIPONEGORO UNIVERSITY**  
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## THESIS APPROVAL

Author Name : Marsalia Intan Antaria Putri  
Student Number : 12030114130137  
Faculty/Department : Economics and Business/Accounting  
Thesis Title : **ACCOUNTING STUDENT'S PERCEPTION  
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SENSITIVITY, ETHICAL ORIENTATION  
AND MORAL REASONING**  
Thesis Supervisor : Puji Harto, S.E., M.Si., Akt., Ph.D

Semarang, 3 April, 2018

Supervisor,



(Puji Harto, S.E., M.Si., Akt., Ph.D)




NIP. 197505272000121001

## SUBMISSION

Author Name : Marsalia Intan Antaria Putri  
Student Number : 12030114130137  
Faculty/Department : Economics and Business/Accounting  
Thesis Title : **ACCOUNTING STUDENT'S PERCEPTION  
ON AUDITOR'S UNETHICAL  
BEHAVIOR: THE ROLE OF ETHICAL  
SENSITIVITY, ETHICAL ORIENTATION  
AND MORAL REASONING**

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2018 for fulfilling the requirement to be accepted.

The Reviewers Board:

1. Puji Harto, S.E., M.Si., Akt., Ph.D (  )
2. Fuad, SET, M.Si, Ph.D (  )
3. Dr. Haryanto, M.Si., Akt (  )

## **DECLARATION OF ORIGINALITY**

I, Marsalia Intan, hereby declare that the undergraduate thesis entitled: **ACCOUNTING STUDENT'S PERCEPTION ON AUDITOR'S UNETHICAL BEHAVIOR: THE ROLE OF ETHICAL SENSITIVITY, ETHICAL ORIENTATION AND MORAL REASONING** is my own writing.

I hereby declare that in this essay there is no whole or part of another person's writing that I take by copying or imitating in a series of sentences or symbols that show ideas or opinions or thoughts from other authors, which I recognize as if it were writing myself, and / or there is no part or all of the writing that I copy, or do I take from someone else's writing without giving the original author's acknowledgment. This undergraduate thesis is written for the partial requirement to complete Undergraduate Program of Accounting and has not been presented in any other occasion before. I bear full responsibility for my undergraduate thesis.

Semarang, 3 April, 2018



(Marsalia Intan Antaria Putri)  
NIM. 12030114130137

## **MOTTO AND DEDICATION**

*“Do not be anxious about anything, but in everything by prayer and supplication with thanksgiving let your requests be made known to God”*

**(Philippians 4:6)**

*“GOD IS GOOD ALL THE TIME, AND ALL THE TIME GOD IS GOOD”*

*“The heart of man plans his way, but the LORD establishes his steps”*

**(Proverbs 16:9)**

**I dedicate this thesis for:**

**Jesus Christ**

**My beloved Mom, Anita**

**My beloved family**

**And all my friends**

**who will always support me in all condition**

## ABSTRACT

This study aims to examine the influence of ethical sensitivity, idealism ethical orientation, relativism ethical orientation and moral reasoning on accounting student's perception toward auditor's unethical behavior.

The sample in this research uses purposive sampling method. The sample in this research is 123 students of accounting undergraduate students of Diponegoro University who have taken auditing 1 and 2; business ethics and profession courses. This study used multiple regression analysis.

The result of hypothesis testing shows that the ethical sensitivity, idealism ethical orientation and moral reasoning variables influence accounting student's perception on auditor's unethical behavior. The variable of relativism ethical orientation does not influence accounting student's perception on auditor's unethical behavior.

*Keywords: Ethical Sensitivity, ethical orientation, moral reasoning and perception*

## **ABSTRAK**

*Penelitian ini bertujuan untuk menguji seberapa besar pengaruh tingkat sensitivitas etika, orientasi etis idealisme, orientasi etis relativisme dan penalaran moral terhadap persepsi mahasiswa akuntansi atas perilaku tidak etis auditor.*

*Sampel dalam penelitian ini menggunakan metode purposive sampling. Sampel dalam penelitian ini adalah 123 mahasiswa S1 Akuntansi Universitas Diponegoro yang telah mengambil mata kuliah auditing 1 dan 2; etika bisnis dan profesi. Penelitian ini menggunakan analisis regresi berganda.*

*Hasil pengujian hipotesis menunjukkan bahwa variabel sensitivitas etika, orientasi etis idealisme dan penalaran moral mempengaruhi persepsi mahasiswa akuntansi terhadap perilaku tidak etis auditor. Sedangkan variabel orientasi etis relativisme tidak mempengaruhi persepsi mahasiswa akuntansi terhadap perilaku tidak etis auditor.*

*Kata kunci: Sensitivitas Etika, orientasi etis, penalaran moral dan persepsi*

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(Marsalia Intan Antaria Putri)  
NIM. 12030114130137

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# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of The Study**

Auditor's profession is known by the public as a profession that performs an audit of financial statement. The auditor is responsible for raising the level of reliability of the company's financial statements so that the public obtain reliable financial information as a basis for decision making (Mulyadi, 2009:12). Their decisions are based on the information which they get from the financial report of the company presented by the management of company. There are two sides of group that require this financial statement, the internal group and the external group. The internal group is company management, company management needs to understand how is the operational process in the company every period, so that it can make decisions related to the company's operations. The external users are consist of creditors, suppliers, investors, lenders, the government and the general public. The external users need financial information to help them make decisions about business.

The pressure to carry out the work well has increased in today's work environment. Workers are attempting to excel and impress in their job. This happens to the auditor too, where many of today's auditors are trying to be excel by resorting to unethical practices in strive to keep their jobs or get some benefits for their companies. The auditor's unethical behavior causes the quality of audit to

decrease. As a result, incident resulted in scandals within auditor profession also keep arising (Cheng, Hsieh, & Yang, 2013).

The presence of auditor's scandal shows that really needed ethics in this profession. Ethics is the study about right and wrong of one's behavior, meaning what is and is not allowed to be done (Triyuwono, 2016: 99). As a professional, an auditor must always use moral judgment; have an integrity and objectivity attitude. Integrity means that every auditor must be honest and adhere to applicable technical and ethical standards. Objectivity means every auditor can be fair, impartial, intellectually honest and not under the influence of others (Mulyadi, 2009:56).

Auditor should provide a credible attitude in carrying out their responsibilities in providing services for their clients. An auditor must be competent in their performing to apply ethical decision-making. Therefore, understanding the role of ethic is essential to exercise professional judgment (Haron, Ismail, & Na, 2015).

Every auditor is governed by public accountant's ethical code. Indonesia already has a code of ethics for public accountant which approved by IAPI (Indonesian Institute of Certified Public Accountant). All parts from the code of ethics for professional accountants are adopted from IESBA Handbook of international auditing, assurance, and ethic pronouncements 2008. This code of ethics establishes the basic principles and rules of professional ethics that must be applied by any public accountant in providing professional services that include assurance services and non-assurance services. It is stated in the code of ethics

that the basic principles of ethics are that a professional public accountant is expected to adhere to basic ethical principles consisting of integrity, objectivity, competence, confidentiality, and professional behavior (Accessed from [iapi.or.id](http://iapi.or.id)).

An auditor should always update their knowledge of the latest accounting standards to fulfill the needs of the public. The auditors are expected to maintain their professionalism in facing the dynamics of accounting that continues growing. In order to maintain the professionalism of the public accountant, public accountant requires to follow PPL (Continuous Professional Education) which held by the Indonesian Institute of Certified Public Accountant (IAPI) and other recognized institutions. This step is in line with the international federation of accountants (IFAC) ([iapi.or.or.id/lapi/detail/238](http://iapi.or.or.id/lapi/detail/238), accessed by IAPI).

PPL is a continuous learning activity that must be followed by public accountants with the aim of encouraging accountants to improve and develop their professional competence. PPL also aims to maintain and increase public trust to the public accountant profession by showing that the accountant has a standard of professional competence in accordance with public expectations. PPL is held in accordance with the association rule No. 1 of 2014 concerning continuous professional education. A public accountants should follow PPL of at least 40 SKP (Credit Units of PPL) each year. PPL activities such as training, workshops, seminars, research relevant with the competence of accountants, etc ([iapi.or.or.id/lapi/detail/238](http://iapi.or.or.id/lapi/detail/238), accessed by IAPI).

The efforts made by the government with Indonesian Institute of Certified Public Accountant (IAPI) to maintain the professionalism of the public accountant still creates scandal on the accounting profession. Great River International Company is one of the cases involving auditor. The case of JAS accountant public indicated that auditor made a mistake in auditing the financial statements of Great River International Company. The case came after Bapepam doing an investigative and found an indication of inflating of sales, receivables, and assets up to hundreds of billions of rupiah in the financial statements of Great River Company which result the company go through cash flow difficulties and failure in paying debt. Therefore, the Minister of Finance of the Republic of Indonesia since November 28, 2006 has suspended the JAS public accountant's license for two years for violating the Public Accountant Professional Standards (SPAP) related to the audit report on the consolidated financial statements of Great River Company in 2003 (Djatkiko & Rizkina, 2014).

Moreover, the case of BPK auditor Sigit Yugoharto, an auditor Madya at Sub Auditor VII B2 BPK. Sigit was accused as a suspect in a bribery attempt related to a specific purpose of inspection (PDTT) by BPK in 2017 to Purbaleunyi branch of PT Jasa Marga (Persero). In the findings of the PDTT, during 2015 to 2016, there was an overpayment of periodic maintenance work, road reconstruction, and improper and unreliable road marking. Such scandals further add as the apprehensive thing of the auditor profession (<http://nasional.kompas.com>, accessed on October 12, 2017). The number of accounting scandals occurred devastated the credibility and trust to the public

accountant firm and public accountant. The cases of ethical violations indicated that the basic principles of professional ethics have been abused and needed efforts to reestablish public trust in accounting profession.

Accounting students will become future accountants. Therefore, from the beginning, accounting students are not only given technical knowledge about the accounting, but the other important thing is to be introduced to the ethical aspect that is indicated in the course. Ethical aspect is very important for accounting students so that they can become graduates who have an integrity attitude, professional, high knowledge, high ethics, and have high dedication to the world of accounting.

The cases of ethical violations might create vary perception among students, especially accounting students, about auditor's unethical behavior. The perception depends on the sensory sensitivity and innate nature of the students. The ability to recognize ethical values in a decision is referred to as ethical sensitivity (Pambudi, 2014). The ethical sensitivity determines the degree of sensitivity of a person to value a phenomenon occurring either inside or outside within an environment and ethical sensitivity has a significant and positive effect on students' perceptions about ethical behavior (Pambudi, 2014). Therefore, accounting students, in particular, had to have good ethical sensitivity to minimize the recurrence of ethical violation cases in the future when they'll being an auditor.

Ethical orientation could also affect a person's perceptions. Every person responding to an action related unethical behavior is usually influenced by an

ethical orientation. An ethical orientation is a person's perspective in responding to various situations and events (Mardawati, 2016). Idealism ethical orientation measure a person's attitude or behavior not to violate ethical values and cause harm to others (Comunale et al., 2006). In addition, relativism ethical orientation also measures a person's attitude toward universal principles of morality and rule (Comunale et al., 2006). A relativist would assume that a moral action depends on the circumstances and nature of the individual who does so. The research result of (Mardawati, 2016) showed that idealism ethical orientation and relativism ethical orientation have different effects; idealism ethical orientation has a negative effect, while relativism ethical orientation has a positive effect on accounting student's perception toward auditor's unethical behavior.

Moral reasoning could also affect a person's perception. Moral reasoning is the level of decision-making possessed by an individual in doing something which is accompanied by reason (Ichsan, 2016). A professional with low moral reasoning is more likely to act unethically compared to people with higher levels of moral reasoning.

Individual personal characteristics such as Ethical Sensitivity, Ethical Orientation and Moral Reasoning could influence a person in ethical decision-making. Moreover, understanding the perception of accounting student's on auditors' unethical behavior from the perspective of the level of ethical orientation, moral reasoning, and ethical sensitivity was crucial.

This study observed students enrolling in accounting study program who have taken the course of Audit and Business Ethics. The consideration of



selecting students of Diponegoro University as the subject of this study because the students would be entering the world of professional soon, also as a preventive action to minimize the occurrence of an auditor scandal and Diponegoro University is one of the best universities in Indonesia. In addition, these accounting students are expected to have a deeper understanding of the ethics in the accountants profession. Aspects of ethical sensitivity, ethical orientation and moral reasoning need to be understood and owned by accounting students to become ethical accountants in the future.

## **1.2 Research Problem**

Ethical Orientation, Moral Reasoning, and Ethical Sensitivity have an influence on every person's perception. To create an ethical perception, a person should be able to distinguish which actions are ethical or unethical. This study will be done by accounting students because they are candidates who should be equipped beforehand with knowledge about ethics. So, when they officially graduate, they can work according to applicable professional ethics. This study focuses on figuring out whether the Ethical Orientation, Moral Reasoning, and Ethical Sensitivity influence Accounting Student's perception on Auditor's Unethical Behavior.

Based on the background, then the comparative analysis rundown as follows.

1. Does Ethical Sensitivity influence Accounting Student's Perception toward Auditor's Unethical Behavior?

2. Does Idealism Ethical Orientation influence Accounting Student's Perception toward Auditor's Unethical Behavior?
3. Does Relativism Ethical Orientation influence Accounting Student's Perception toward Auditor's Unethical Behavior?
4. Does Moral Reasoning influence Accounting Student's Perception toward Auditor's Unethical Behavior?

### **1.3 Research Objective and Benefit**

#### **1.3.1 Objective of Research**

According to the rundown of the problem above, then the purpose of this research is to notice :

1. Analyzing Accounting student's perception toward Auditor's Unethical Behavior viewed from the level of Ethical Sensitivity
2. Analyzing Accounting student's perception toward Auditor's Unethical Behavior viewed from the level of Idealism ethical orientation
3. Analyzing Accounting student's perception toward Auditor's Unethical Behavior viewed from the level of Relativism
4. Analyzing Accounting student's perception toward Auditor's Unethical Behavior viewed from the level of Moral Reasoning.

### **1.3.2 Benefit of Research**

Result of the research is being expected to provide benefits for various parties, among others :

#### **1. Theoretical benefits**

The results of this study are expected to provide more profound understanding of the influence of Ethical Orientation, Moral Reasoning, and Ethical Sensitivity on accounting student's perception towards auditor's unethical behavior. In addition, it can help interested readers to research the same problem to serve as reference material.

#### **2. Practical Benefits**

##### **a. Academics**

This research will help academic students and practitioners to empathize student's perception about scandals occurred. In addition, this research is expected to be an input for educators in the field of accounting so that they could develop the concept of ethics education by paying more attention on moral improvement or the development of ethical considerations of students so that they able to mold the student's ethical behavior as an accountant candidate in early stage.

b. Students

This research would help students to prepare on facing various accounting scandals that might occur. This research is expected to make more cautious about scandals that occur in the field of accounting and when plunging into the field as accountants, students could prevent any causes of professional ethical crisis.

c. Researchers

The benefit of this research is to add more understanding about the influence of Ethical Orientation, Moral Reasoning, and Ethical Sensitivity on accounting student's perception toward Auditor's Unethical Behavior. In addition, to improve skills in writing and research.

d. Diponegoro University

This research becomes the base in evaluating the learning system of the undergraduate program of Accounting Department of Diponegoro University, Semarang.

## **1.4 Thesis Outline**

### **CHAPTER I INTRODUCTION**

This chapter contains the study background that form the rationale and overview of the research to further formulate the problem formulation and described about the objectives and benefits of research and compiled systematics writing at the end of this chapter

### **CHAPTER II LITERATUR REVIEW**

This chapter contains the theories that underline this study, the definitions of the term, and result of previous studies. This chapter also describes the theoretical framework and the hypothesis development

### **CHAPTER III RESEARCH METHODOLOGY**

In this chapter describes the research methodology which is operated in the conduct of the study. The description includes the definition and measurement of variables, population and samples, the type and source of data, the methods of data collection, variables identification and data analysis methods

### **CHAPTER IV DATA ANALYSIS AND DISCUSSION**

In this chapter contains the results of objects on the studied and explanation or discussion of the results of calculation or data

analysis with the method of analysis and interpretation of results.

## **CHAPTER V CONCLUSION**

This chapter contains the conclusions and limitations of the study. Suggestions are also included for further research.