

# Examining the Threats to Compliance with the Accounting Ethics Principles

---

**Rogošić, Andrijana**

*Source / Izvornik:* **73rd International Scientific Conference on Economic and Social Development - Sustainable Tourism in Post-pandemic World, 2021, 87 - 95**

**Conference paper / Rad u zborniku**

*Publication status / Verzija rada:* **Published version / Objavljena verzija rada (izdavačev PDF)**

*Permanent link / Trajna poveznica:* <https://urn.nsk.hr/urn:nbn:hr:124:130545>

*Rights / Prava:* [In copyright](#)/[Zaštićeno autorskim pravom.](#)

*Download date / Datum preuzimanja:* **2024-10-19**

*Repository / Repozitorij:*

[REFST - Repository of Economics faculty in Split](#)



Varazdin Development and Entrepreneurship Agency and University North  
in cooperation with  
Faculty of Management University of Warsaw  
Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat  
Polytechnic of Medimurje in Cakovec



# Economic and Social Development

73<sup>rd</sup> International Scientific Conference on Economic and Social Development Development –  
"Sustainable Tourism in Post-pandemic World"

## Book of Proceedings

Editors:

Zoltan Baracscai, Dijana Vukovic, Jelena Janjusevic



ISSN 1849-7535



Dubrovnik, 21-22 October, 2021

**Varazdin Development and Entrepreneurship Agency and University North**  
in cooperation with  
**Faculty of Management University of Warsaw**  
**Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat**  
**Polytechnic of Medimurje in Cakovec**

Editors:

**Zoltan Baracscai, Szechenyi University of Gyor, Hungary**  
**Dijana Vukovic, University North, Croatia**  
**Jelena Janjusevic, Heriot-Watt University Dubai, United Arab Emirates**

## **Economic and Social Development**

73<sup>rd</sup> International Scientific Conference on Economic and Social Development Development –  
"Sustainable Tourism in Post-pandemic World"

### **Book of Proceedings**

Dubrovnik, 21-22 October, 2021

**Title** ■ Economic and Social Development (Book of Proceedings), 73<sup>rd</sup> International Scientific Conference on Economic and Social Development - "Sustainable Tourism in Post-pandemic World"

**Editors** ■ Zoltan Baracska, Dijana Vukovic, Jelena Janjusevic

**Scientific Committee / Programski Odbor** ■ Marijan Cingula (President), University of Zagreb, Croatia; Sannur Aliyev, Azerbaijan State University of Economics, Azerbaijan; Ayuba A. Aminu, University of Maiduguri, Nigeria; Anona Armstrong, Victoria University, Australia; Gouri Sankar Bandyopadhyay, The University of Burdwan, Rajbati Bardhaman, India; Haimanti Banerji, Indian Institute of Technology, Kharagpur, India; Victor Beker, University of Buenos Aires, Argentina; Asmae Benthani, Mohammed V University, Morocco; Alla Bobyleva, The Lomonosov Moscow State University, Russia; Leonid K. Bobrov, State University of Economics and Management, Novosibirsk, Russia; Rado Bohinc, University of Ljubljana, Slovenia; Adnan Celik, Selcuk University, Konya, Turkey; Angelo Maia Cister, Federal University of Rio de Janeiro, Brazil; Mirela Cristea, University of Craiova, Romania; Taoufik Daghi, Mohammed V University, Morocco; Oguz Demir, Istanbul Commerce University, Turkey; T.S. Devaraja, University of Mysore, India; Onur Dogan, Dokuz Eylul University, Turkey; Darko Dukic, University of Osijek, Croatia; Gordana Dukic, University of Osijek, Croatia; Alba Dumi, Vlora University, Vlore, Albania; Galina Pavlovna Gagarinskaya, Samara State University, Russia; Mirjana Gligoric, Faculty of Economics - Belgrade University, Serbia; Maria Jose Angelico Goncalves, Porto Accounting and Business School - P.Porto, Portugal; Mehmet Emre Gorgulu, Afyon Kocatepe University, Turkey; Klodiana Gorica, University of Tirana, Albania; Aleksandra Grobelna, Gdynia Maritime University, Poland; Liudmila Guzikova, Peter the Great Saint-Petersburg Polytechnic University, Russia; Anica Hunjet, University North, Koprivnica, Croatia; Khalid Hammes, Mohammed V University, Morocco; Oxana Ivanova, Ulyanovsk State University, Ulyanovsk, Russia; Irena Jankovic, Faculty of Economics, Belgrade University, Serbia; Myrl Jones, Radford University, USA; Hacer Simay Karaalp, Pamukkale University, Turkey; Dafna Kariv, The College of Management Academic Studies, Rishon Le Zion, Israel; Hilal Yildirim Keser, Uludag University, Bursa, Turkey; Sophia Khalimova, Institute of Economics and Industrial Engineering of Siberian Branch of Russian Academy of Science, Novosibirsk, Russia; Marina Klacmer Calopa, University of Zagreb, Croatia; Igor Klopota, Medjimursko Veleuciliste u Cakovcu, Croatia; Vladimir Kovsca, University of Zagreb, Croatia; Goran Kozina, University North, Koprivnica, Croatia; Dzenan Kulovic, University of Zenica, Bosnia and Herzegovina; Robert Lewis, Les Roches Gruyere University of Applied Sciences, Bulle, Switzerland; Ladislav Lukas, Univ. of West Bohemia, Faculty of Economics, Czech Republic; Mustapha Machrafi, Mohammed V University, Morocco; Joao Jose Lourenco Marques, University of Aveiro, Portugal; Pascal Marty, University of La Rochelle, France; Vaidotas Matutis, Vilnius University, Lithuania; Daniel Francois Meyer, North West University, South Africa; Marin Milkovic, University North, Koprivnica, Croatia; Abdelhamid Nechad, Abdelmalek Essaadi University, Morocco; Gratiela Georgiana Noja, West University of Timisoara, Romania; Zsuzsanna Novak, Corvinus University of Budapest, Hungary; Tomasz Ochowski, University of Warsaw, Poland; Barbara Herceg Paksic, University of Osijek, Croatia; Vera Palea, Universita degli Studi di Torino, Italy; Dusko Pavlovic, Libertas International University, Zagreb, Croatia; Igor Pihir, University of Zagreb, Croatia; Dmitri Pletnev, Chelyabinsk State University, Russian Federation; Mirosław Przygoda, University of Warsaw, Poland; Karlis Purmalis, University of Latvia, Latvia; Nicholas Recker, Metropolitan State University of Denver, USA; Kerry Redican, Virginia Tech, Blacksburg, USA; Humberto Ribeiro, University of Aveiro, Portugal; Robert Rybnicek, University of Graz, Austria; Elzbieta Szymanska, Bialystok University of Technology, Poland; Katarzyna Szymanska, The State Higher School of Vocational Education in Ciechanow, Poland; Ilaria Tutore, University of Naples Parthenope, Italy; Sandra Raquel Alves, Polytechnic of Leiria, Portugal; Joanna Stawska, University of Lodz, Poland; Ilko Vrankic, University of Zagreb, Croatia; Stanislaw Walukiewicz, Bialystok University of Technology, Poland; Thomas Will, Agnes Scott College, USA; Li Yongqiang, Victoria University, Australia; Peter Zabielskis, University of Macau, China; Silvija Zeman, Medjimursko Veleuciliste u Cakovcu, Croatia; Tao Zeng, Wilfrid Laurier University, Waterloo, Canada; Snezana Zivkovic, University of Nis, Serbia.

**Review Committee / Recenzentski Odbor** ■ Marina Klacmer Calopa (President); Ana Aleksic; Sandra Raquel Alves; Ayuba Aminu; Mihovil Andjelinovic; Josip Arneric; Lidija Bagaric; Tomislav Bakovic; Sanja Blazevic; Leonid Bobrov; Ruzica Brecic; Anita Ceh Casni; Iryna Chernysh; Mirela Cristea; Oguz Demir; Stjepan Dvorski; Robert Fabac; Ivica Filipovic; Sinisa Franjic; Fran Galetic; Mirjana Gligoric; Tomislav Globan; Anita Goltnik Urnaut; Tomislav Herceg; Irena Jankovic; Emina Jerkovic; Dafna Kariv; Oliver Kesar; Hilal Yildirim Keser; Martina Dragija Kostic; Tatjana Kovac; Vladimir Kovsca; Angelo Maia Cister; Katarina Marosevic; Vaidotas Matutis; Marjana Mercak Skok; Daniel Francois Meyer; Natanya Meyer; Josip Mikulic; Ljubica Milanovic Glavan; Guenter Mueller; Ivana Nacinovic Braje; Zlatko Nedelko; Gratiela Georgiana Noja; Zsuzsanna Novak; Alka Obadic; Claudia Ogorean; Igor Pihir; Najla Podrug; Vojko Potocan; Dinko Primorac; Zeljka Primorac; Sanda Renko; Humberto Ribeiro; Vlasta Roska; Souhaila Said; Armando Javier Sanchez Diaz; Tomislav Sekur; Lorena Skufflic; Mirko Smoljic; Petar Soric; Mario Spremic; Matjaz Stor; Tomasz Studzieniecki; Lejla Tijanic; Daniel Tomic; Boris Tusek; Rebeka Daniela Vlahov; Ilko Vrankic; Thomas Will; Zoran Wittine; Tao Zeng; Grzegorz Zimon; Snezana Zivkovic; Berislav Zmuk.

**Organizing Committee / Organizacijski Odbor** ■ Domagoj Cingula (President); Djani Bunja; Marina Klacmer Calopa; Spomenko Kesina; Erlino Koscak; Tomasz Ochowski; Mirosław Przygoda; Michael Stefulj; Rebeka Danijela Vlahov; Sime Vucetic.

**Publishing Editor** ■ Spomenko Kesina, Mario Vrazic, Domagoj Cingula

**Publisher** ■ **Design** ■ **Print** ■ Varazdin Development and Entrepreneurship Agency, Varazdin, Croatia / University North, Koprivnica, Croatia / Faculty of Management University of Warsaw, Warsaw, Poland / Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat, Morocco / Polytechnic of Medimurje in Cakovec, Cakovec, Croatia

**Printing** ■ Online Edition

**ISSN 1849-7535**

The Book is open access and double-blind peer reviewed.

Our past Books are indexed and abstracted by ProQuest, EconBIZ, CPCI (Web of Science) and EconLit databases and available for download in a PDF format from the Economic and Social Development Conference website: <http://www.esd-conference.com>

© 2021 Varazdin Development and Entrepreneurship Agency, Varazdin, Croatia; University North, Koprivnica, Croatia; Faculty of Management University of Warsaw, Warsaw, Poland; Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat, Morocco; Polytechnic of Medimurje in Cakovec, Cakovec, Croatia. All rights reserved. Authors are responsible for the linguistic and technical accuracy of their contributions. Authors keep their copyrights for further publishing.

## **CONTENTS**

<b>COMPETENCE OF EMPLOYEES IN TOURISM IN THE TRANSITION FROM THE ECONOMY OF SERVICE TO THE ECONOMY OF EXPERIENCE.....</b>	<b>1</b>
Dijana Vukovic, Ana Globocnik Zunac, Ivana Martincevic	
<b>DIFFERENCE BETWEEN THE REAL ESTATE OFFER AND SALE PRICES IN THE CZECH REPUBLIC .....</b>	<b>9</b>
Aneta Obloukova, Eva Vitkova	
<b>FUTURE-PROOFNESS IN THE POST-COVID TOURISM SECTOR.....</b>	<b>20</b>
Gabor Bodis, Arpad Papp-Vary	
<b>CITY BRANDING: CURRENT TRENDS AND FUTURE PROSPECTS .....</b>	<b>34</b>
Goran Dedic, Silvia Golem	
<b>SECURITY FOR THE FUTURE OF DIGITAL MONEY AND CONNECTIONS TO IOT.....</b>	<b>43</b>
Alen Simec, Lidija Tepes Golubic	
<b>A MULTIPERSPECTIVE APPROACH TO THE VALUE AND IMPORTANCE OF PERSONAL DATA DURING THE PANDEMIC .....</b>	<b>51</b>
Nives Ivkovic	
<b>DEVELOPMENT OF R&amp;D AND INNOVATION INFRASTRUCTURE OF CHINA AND BELARUS .....</b>	<b>59</b>
Venelin Terziev, Vladimir Klimuk	
<b>ECONOMETRIC MODELING OF THE INFLUENCE OF INNOVATION COSTS ON THE FINANCIAL CORPORATIONS' PROFIT.....</b>	<b>67</b>
Ante Roncevic, Vitaliy Serzhanov, Iryna Shtuler	
<b>THE PARADOX OF RESOLVING COMPLAINTS IN THE WELLNESS CENTER GUARANTEES PROFITABILITY .....</b>	<b>78</b>
Fani Kerum, Dijana Vukovic, Anica Hunjet	
<b>EXAMINING THE THREATS TO COMPLIANCE WITH THE ACCOUNTING ETHICS PRINCIPLES.....</b>	<b>87</b>
Andrijana Rogosic	
<b>EDUCATING FUTURE ECONOMISTS IN THE ERA OF ROBOTIZATION – ARE WE ALREADY LATE?.....</b>	<b>96</b>
Josipa Visic	
<b>DETERMINING THE BENEFITS OF ENTERPRISE RESOURCE PLANNING (ERP) SYSTEMS: A LITERATURE REVIEW .....</b>	<b>105</b>
Kristina Hodak	

<b>THE OVERVIEW OF THE IMPACT OF THE EU MEMBERSHIP ON CROATIA WITH LESSONS THAT COULD BE USED BY THE WESTERN BALKANS STATES IN THE POST-COVID19 ERA .....</b>	<b>115</b>
Petar Kurecic	
<b>OVERVIEW OF THE USE OF ABBREVIATIONS IN DIGITAL COMMUNICATION THROUGH SHANNON'S THEORY OF COMMUNICATION .....</b>	<b>126</b>
Mladen Greguras	
<b>THE ATTITUDE OF POLISH JOURNALISTS AND MEDIA MANAGERS TO CONTENT PERSONALIZATION IN DIGITAL MEDIA .....</b>	<b>138</b>
Jan Kreft, Mariana Fydrych, Monika Boguszewicz – Kreft	
<b>THE ROLE OF INTELLECTUAL CAPITAL IN THE ECONOMIC GROWTH: THE CASE OF THE EU COUNTRIES .....</b>	<b>146</b>
Tamara Radenovic, Snezana Zivkovic, Milisa Todorovic	
<b>QUALITY ASPECTS OF DIGITAL SERVICES IN HIGHER EDUCATION: STUDENT-ORIENTED PERSPECTIVE .....</b>	<b>156</b>
Tea Mijac	
<b>THE IMPACT OF COVID 19 PANDEMIC ON GLOBAL VIDEO GAMING MARKET .....</b>	<b>166</b>
Josko Lozic, Damira Kecek, Dijana Vukovic	
<b>CONSTRUCTION COSTS IN TERMS OF SERVICE LIFE AND WEAR AND TEAR OF BUILDINGS.....</b>	<b>175</b>
Patrik Sokol, Miloslav Vyskala	
<b>INFLUENCER MARKETING IN TRAVEL AND TOURISM: LITERATURE REVIEW .....</b>	<b>182</b>
Vesna Sesar, Anica Hunjet, Goran Kozina	
<b>CORPORATE INCOME TAX AS AN IMPORTANT INSTRUMENT FOR BUSINESS COMPETITIVENESS.....</b>	<b>193</b>
Zuzana Stofkova	
<b>THE ETHICAL CHALLENGES OF ETHNOGRAPHIC FIELDWORK IN CONFLICT SETTINGS.....</b>	<b>201</b>
Fouzia Borj	
<b>POTENTIAL OF APPLICATION OF GAMIFIED DESTINATION PROMOTION. 210</b>	
Andrea Jakus, Biljana Crnjak-Karanovic, Goran Dedic	
<b>INTERDEPENDENCE OF ECONOMIC INEQUALITIES AND ECONOMIC GROWTH IN SELECTED POST-TRANSITION COUNTRIES OF THE EUROPEAN UNION.....</b>	<b>218</b>
Patricija Pavlisic, Marija Buselic, Alen Belullo	
<b>THE PUBLIC LIBRARY AS HEALTH INFORMATION RESOURCE.....</b>	<b>230</b>
Venelin Terziev, Silva Vasileva	

## EXAMINING THE THREATS TO COMPLIANCE WITH THE ACCOUNTING ETHICS PRINCIPLES

**Andrijana Rogosic**

*Faculty of Economics, Business and Tourism, University of Split,  
Cvite Fiskovića 5, Split, Croatia  
arogosic@efst.hr*

### **ABSTRACT**

*Accounting ethics became an important issue worldwide due to many recent accounting frauds and financial scandals. Financial reporting quality must be high (containing accounting information that is unbiased, relevant, complete and correct) so that financial statements could be reliable to all stakeholders. Financial reporting quality can be jeopardized if professional accountants act in an unethical manner. Therefore, the ethics of accountants is of public interest since it has wide effect. The various circumstances (professional activities, interests and relationships) in which accountants work might create threats to compliance with the fundamental accounting principles. In order to avoid various ethical dilemmas, professional accountants should consult The International Code of Ethics for Professional Accountants. This code provides a conceptual framework as well as guidelines that should be applied in order to identify, evaluate and address five types of threats (self-interest threat, self-review threat, advocacy threat, familiarity threat and intimidation threat). The purpose of this study is to determine the level of the exposure to the threats to compliance with the fundamental accounting principles. Another aim of the paper is to find out whether the exposure to these threats is related to gender, age and education level of professional accountants. An online questionnaire was used as a research instrument. Empirical research results indicate that some demographic characteristics such as age and gender are not related to the exposure to the threats. On the other hand, the education level can affect the level of exposure of professional accountants to the threats to compliance with the fundamental accounting principles.*

**Keywords:** *Accounting ethics, Financial reporting quality, Professional accountants*

### **1. INTRODUCTION**

Accounting ethics is strongly related to business ethics which has been recently in research focus of many scholars due to different frauds, malfeasance, scandals and ultimately to financial crisis. As Messikomer and Cirka (2010) stated, there is an explosion of unethical behavior in business practice. A gradual deterioration of accounting ethics is the result of the wider social context (Gendron et al., 2006) with severe consequences that could eventually lead to bankruptcy. Unethical behavior of professional accountants can result in unreliable accounting information disclosed in financial statements. Higher quality of financial reporting is beneficial to the investors and other financial statement users (Aljinović Barać, 2021) while low-quality financial reporting is sometimes related to accounting manipulations. Cases of accounting malfeasance are often linked with the issues regarding revenue recognition (such as premature recognition of revenues or the recognition of fraudulent revenues). Aljinović Barać et al. (2017) reported that manipulations in Croatia are “principally oriented towards creditors, tax authorities and suppliers with the intention to hide bad performance, get better terms of crediting and minimize fiscal and political costs”. Thus, the need for integrity-boosting framework is obvious. Establishing ethical guidelines and following the code of ethics could promote professional conduct that is moral, and therefore beneficial to all stakeholders. As Messikomer and Cirka (2010) pointed out, a written code of ethics (although carefully designed and constructed) is not sufficient to prevent unethical behavior. Rogošić and Bakotić (2019) acknowledged that introduction of the code of ethics represents the initial phase of

institutionalization of ethical standards in a company. The well-known framework for the ethics of the accounting profession is the International Code of Ethics for Professional Accountants published by the International Ethics Standard Board for Accountants. This code addresses the issues regarding the threats to compliance with the fundamental accounting principles. The aim of this study is twofold: to determine the level of the exposure to the threats to compliance with the fundamental accounting principles and to explore the exposure to the threats depending on gender, age and education level of professional accountants.

## **2. THE IESBA CODE OF ETHICS**

Developed by the International Accounting Standards Board (IFAC) in collaboration with International Ethics Standard Board for Accountants (IESBA), the International Code of Ethics for Professional Accountants is intended to promote awareness and application of fundamental accounting ethics principles. These principles are integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The latest revised IESBA Code is issued in 2020. It contains four parts. The fundamental ethical principles are explained in the first part along with the conceptual framework. The second part is dedicated to the professional accountants in business (who are employed or otherwise engaged in private, public, and non-profit sector, education and regulatory or professional bodies). The third part includes guidelines for the professional accountants in public practice. The fourth part consists of guidelines for achieving independence for audit review engagements as well as independence for assurance engagements (other than audit and review). Professional accountants should read this Code when they face ethical dilemmas because it provides guidance and enables conflict resolution. The Code (IESBA, 2020) prescribes that a professional accountant must be careful and avoid the association with financial statements and other reports (or any kind of communications) where the s/he believes that the information: “contains a materially false or misleading statement; contains statements or information provided recklessly; or omits or obscures required information where such omission or obscurity would be misleading”. Since low-quality financial reporting can be the result of various accounting misrepresentation, application of the Code guidelines can contribute to better financial reporting quality. The International Code of Ethics for Professional Accountants is highly recommended by many scholars (Clements et al., 2009; Spalding and Oddo, 2011; Nerandzic et al., 2012; Espinosa-Pike and Barrainkua-Aroztegi, 2014; Rogošić and Bakotić, 2019; Žager et al., 2019). The American Institute of Certified Public Accountants’ (AICPA) Code of Professional Conduct (CPC) for accountants practicing in the U.S. is also highly promoted (Spalding and Lawrie, 2019; Jenkins et al., 2020). Clements et al. (2009) noted that as a requirement for membership in the IFAC, a national accounting organization must either adopt the IESBA Code or adopt a code of conduct that is not “less stringent” than the IESBA Code. Smith et al. (2009) compared the accounting ethics codes in three countries (Canada, Egypt and Japan) and concluded that they are alike since they all promote the same ethical principles. Therefore, the objective of the IESBA to harmonize accounting ethics standards worldwide is on its path of fulfillment. According to the IESBA Code, the purpose of its conceptual framework is to “identify threats to compliance with the fundamental principles; evaluate the threats identified; and address the threats by eliminating or reducing them to an acceptable level” (IESBA, 2020).

## **3. THE THREATS TO COMPLIANCE WITH THE FUNDAMENTAL PRINCIPLES**

The literature is abundant of the evidence regarding the importance of accounting ethics education. Cameron and O’Leary (2015) pointed out that ethics education should promote the development of students’ moral sensibility and avoid focusing only on academic knowledge of ethics. Although accounting ethics education may not affect moral reasoning, it could help to recognize the threats to compliance with the fundamental accounting ethics principles.



The IESBA Code provides a conceptual framework that professional accountants should apply in order to identify, evaluate and address those threats. Professional accountants should reflect about conditions, and beware of policies and procedures since these might be relevant factors in their evaluation of whether a threat is at an acceptable level. If those threats are not at an tolerable level, the accountants should address those threats by applying safeguards. According to IESBA Code (2020), the threats to compliance with the fundamental principles are classified as self-interest threat, self-review threat, advocacy threat, familiarity threat and intimidation threat. The board range of circumstances that are threatening accountants' independence fall into one or more of the mentioned categories. Self-interest threat can be described as a threat when a financial or other interest might inappropriately influence a professional accountant's judgment or behavior (like receiving a loan from employing organization, having access to corporate assets for personal use, being offered a gift from a supplier etc.). Self-review threat occurs when a professional accountant does not properly evaluate the results of a previous judgment made or activity performed (by the accountant or by the associate within the accountant's company or employing organization), on which the accountant might rely when forming a judgment that reflects on their current activity. If a professional accountant has an opportunity to manipulate information in a prospectus in order to obtain favorable financing, there is an advocacy threat. Therefore, advocacy threat is the threat that the accountant might uphold a client's or employing organization's position compromising his/her objectivity. Familiarity threat can be recognized when a professional accountant has a close or long (especially if a family member is involved) association with individuals influencing business decision. Long term or close relationship with a client or employing organization can make a professional accountant overly bias and sympathetic to their interests or too accepting of their work. If a professional accountant or his/her family member face the threat of dismissal or replacement due to the application of accounting principles or the way of financial information reporting, an intimidation threat occurs. Intimidation threat also happens when an accountant is discouraged from acting objectively because of actual or perceived pressures, including attempts to exercise unjustified influence over the professional accountant. According to Ishaque (2020) the root causes to these threats are, mostly, "the misaligned incentives with roots in temptation for gain and/or in fear of loss and the workplace pressures with roots in fear of loss". When professional accountants in practice are concerned, intimidation emerges as the most frequent threat (Fearnley et al., 2005). This kind of threat has two clear dimensions. One aspect of intimidation threat is conjoined by the underlying threat from management of removal of the auditor. This results with the self-interest threat where the professional accountant in public practice may perceive damage to himself personally through loss of income and status. The other dimension is bullying, when superiors (directors) may attempt to overcome the auditor's objections by employing aggressive or other unappropriated behavior without any underlying threat of removal from office. Fearnley et al. (2005) explained that intimidation with self-interest could also arise from within a company where other partners make pressure. Erasmus and Matsimela (2020) concluded that real problem is unawareness of the self-review threat that arises due to the conflict between oversight and advisory services provided. Islam et al. (2019) pointed out that professional accountants faced various self-interest and self-review threats to their fair reporting. Thus, they found it difficult to act according to the code of accounting ethics. Familiarity threat was investigated on auditors in United Kingdom (Hussey, 1999). This study revealed that the present directors of both private and public companies have a significant influence on the appointment of the auditor and view their own personal relationship with the auditor as the most desirable characteristic in the selection process. Fearnley et al. (2005) noted that direct financial interest in a client (self-interest threat); a close friend or relative being involved in the management of a client (familiarity threat); and, involvement in the management of a client (self-review threat) undermine accountant's

independence if the safeguards were not adequately applied. Shafer et al. (2004) pointed out that accountants in public practice could change their behavior due to advocacy threat. Hutterski et al. (2020) found that influence of people in charge and pressure exerted by the management represent as well as the attempt to hide previously made mistakes are the most common situations that lead to unethical behavior of accountants. Quick and Warming-Rasmussen (2015) found out that high self-interest and a high-familiarity threat may impair auditor independence in appearance. If all of those threats are not recognized or ignored, they will give rise to the conflict of interests. Consequently, a risk of deviation from compliant behavior is higher (Ishaque, 2020). In order to address the threats to compliance with the accounting ethics principles, adequate safeguards must be applied. Hussey (1999) stated that controls should be introduced to ensure the threat is kept to a minimum.

#### **4. HYPOTHESES**

Moral judgment requires knowledge of concepts, ethical principles, and codes of conduct (Asadiyan Owghani et al., 2020) and enables ethical decision-making. Fraedrich et al. (1994) argued that cognitive moral development theory has been acknowledged as a construct in understanding business ethics. Several models were developed to explain the ethical decision making process in business. Individual factors like cognitive moral development affect ethical decision-making. Ethical decision making in business could additionally be influenced by other factors like demographic characteristics. Findings of Radtke (2000) generally supported the results of prior research that found no differences in the ethical decisions of female and male accounting professionals. Contrary, Roxas and Stoneback (2004) performed cross-country empirical study and concluded that males were significantly less ethical than females but on the country level, results are somewhat different. They found that women in China are less likely to behave ethically while in U.S.A., Australia, the Philippines, Germany and the Ukraine men had higher inclination to unethical behavior. Research conducted on accountants in U.S.A. demonstrated the results that do not support the idea that gender is associated with differences in ethical decision-making (Keller et al., 2007). On the other hand, their findings indicate that there are differences in individual ethical standards based on gender, educational level (graduate versus undergraduate), religiosity, and work experience. Pierce and Sweeney (2010) assumed that there is no relationship between gender (on one side) and ethical judgement, ethical intention, ethical intensity and perceived ethical culture of professional accountants in Ireland. They hypothesized the same between age, degree type, education and all the mentioned aspects of ethical decision-making. The threats to compliance with the fundamental accounting ethics principles can affect accountant's decision-making process and, ultimately, judgment or behavior. The question is if some demographic characteristic are related to the perception of self-interest, self-review, advocacy, familiarity and intimidation threat. Therefore, based on the recent (above mentioned) studies it is reasonable to assume that:

- H<sub>1</sub>: No relationship exists between gender and the threats to compliance with the accounting ethics principles.
- H<sub>2</sub>: No relationship exists between age and the threats to compliance with the accounting ethics principles.
- H<sub>3</sub>: No relationship exists between level of education and the threats to compliance with the accounting ethics principles.

#### **5. METHODOLOGY AND RESULTS**

An online questionnaire was used as a research instrument. The link to this survey created on Google Forms was sent to randomly selected e-mail addresses of the professional accountants in Croatia. After three rounds of e-mails, 370 professional accountants in business filled the questionnaire, containing closed questions (mostly a 5-point Likert scale) and various

demographic questions, although not everyone answered to all the questions. The collected data were analyzed using the MS Excel and IBM – SPSS 23 program. The univariate statistics was used to test the hypotheses. A total of 299 female respondents completed the survey and only 71 male did the same. It is not clear if there is more women employed as accountants in Croatia or they are more eager to participate in this kind of survey. The age of the respondents was grouped in four categories: 1- age between 20 and 29; 2 – age between 30 and 39; 3 – age between 40 and 49; and 4 – age 50 and more. Only 8% of accountants covered with this study are young people of age between 20 and 29. Most of the respondents (36%) are age between 30 and 39 followed by accountants of age between 40 and 49 (34%). The proportion of more experienced accountants (age 50 +) that filled the questionnaire is 22%. The education level was also grouped in four categories: 1 - high school; 2 – undergraduate; 3 - graduate; and 4 – postgraduate degree. High school diploma represents the highest level of education for 19% of respondents. Undergraduate degree is obtained by 18% of professional accountants. Most of the respondents (58%) have graduate degree but only 5% postgraduate degree. The perceived threats to compliance with the fundamental accounting ethics principles were self-assessed using a 5-point Likert scale (where 1 represents “never” and 5 is for “very frequently”) with the offered statement regarding self-interest, self-review, advocacy, familiarity and intimidation threat (Figure 1).

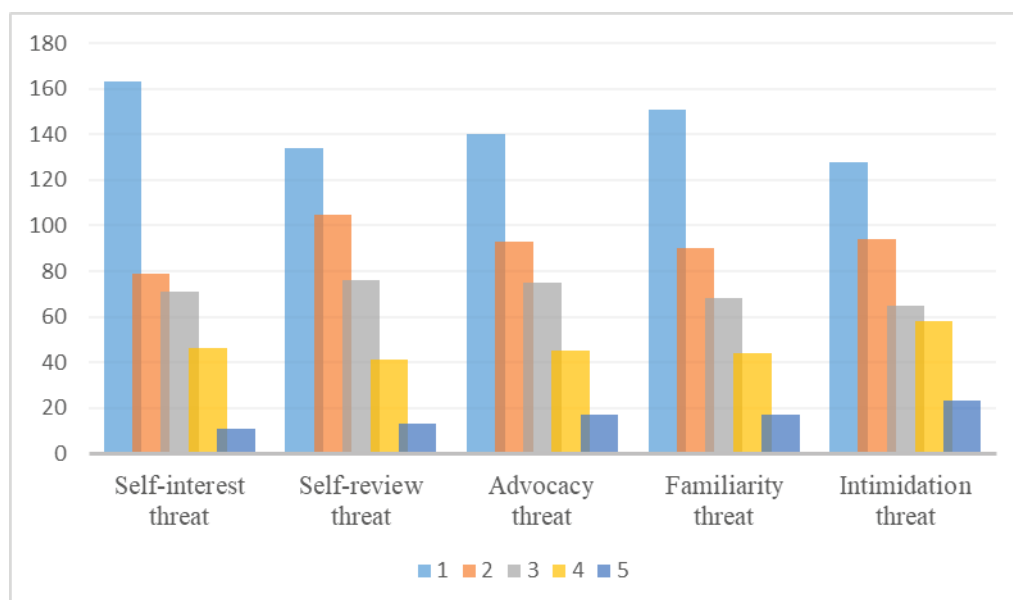


Figure 1: Threats to compliance with accounting ethics principles  
(Source: Author's calculation)

According to these empirical results, most of the professional accountants in business rarely (or never) experienced these threats. The mean value of the perceived exposure to the threats ranges from 2.089 to 2.332 (self-interest threat - 2.089; self-review threat - 2.171; advocacy threat - 2.205; familiarity threat – 2.151; intimidation threat - 2.332). Results indicate that accountants in Croatia face more frequently intimidation threat (comparing to the other kind of threats) that is in line with the findings of Fearnley et al. (2005) and Huterski et al. (2020). The first hypothesis was tested using Mann-Whitney test (Table 1). Independent (grouping) variable was gender. This test was used to determine whether there is difference between men and women regarding their perceived exposure to the threats to compliance to fundamental ethical principles.

	Self-interest threat	Self-review threat	Advocacy threat	Familiarity threat	Intimidation threat
Mann-Whitney U	10431.500	10434.000	10442.500	8949.500	10498.500
Wilcoxon W	12987.500	54985.000	55292.500	53799.500	54751.500
Z	-.239	-.187	-.221	-2.155	-.058
Asymp. Sig. (2-tailed)	.811	.851	.825	.031	.954

Grouping Variable: Gender

*Table 1: Threats to compliance with the fundamental principles regarding the gender (Source: Author's calculation)*

The results (Table 1) indicate that the relationship between gender and the level of the perceived self-interest, self-review, advocacy and intimidation threat does not exist. The only threat that is gender related is familiarity threat. The males admit to be more exposed to familiarity threat. Thus, men seem to be more influenced with the close and/or lasting relationships with the clients or employers that made them overly bias and sympathetic to their interests. The second hypothesis was validated using the Jonckheere-Terpstra test (Table 2). Independent (grouping) variable was the age of the respondents. This test was used to determine whether there is difference between the age groups regarding accountants' perceived exposure to the threats to compliance with the accounting ethics principles.

	Self-interest threat	Self-review threat	Advocacy threat	Familiarity threat	Intimidation threat
Number of Levels in Age	4	4	4	4	4
N	368	367	368	368	366
Observed J-T Statistic	22807.000	23662.000	23679.500	21464.000	22293.000
Mean J-T Statistic	23675.500	23554.000	23675.500	23675.500	23384.500
Std. Deviation of J-T Statistic	1059.558	1069.130	1073.861	1067.961	1071.472
Std. J-T Statistic	-.820	.101	.004	-2.071	-1.019
Asymp. Sig. (2-tailed)	.412	.920	.997	.038	.308

Grouping Variable: Age

*Table 2: Threats to compliance with the fundamental principles regarding the age (Source: Author's calculation)*

According to the results (Table 2), age is only related to the familiarity threat. Younger accountants are more exposed to the familiarity threat than their more mature colleagues. It can be assumed that more mature accountants are more resilient to the familiarity threats. As people grow old the exposure to the familiarity threat weakens. The Jonckheere-Terpstra test was performed in order to test the third hypothesis. It was assumed that education level, as other demographic characteristics, is not related to the perceived exposure to the threats.

	Self-interest threat	Self-review threat	Advocacy threat	Familiarity threat	Intimidation threat
Number of Levels in Education	4	4	4	4	4
N	369	368	369	369	367
Observed J-T Statistic	22215.000	22161.000	21461.000	22901.500	22674.000
Mean J-T Statistic	20112.000	19988.500	20210.500	20210.500	19983.500
Std. Deviation of J-T Statistic	996.549	1004.347	1011.393	1005.901	1009.372
Std. J-T Statistic	2.110	2.163	1.236	2.675	2.666
Asymp. Sig. (2-tailed)	.035	.031	.216	.007	.008

Grouping Variable: Education

*Table 3: Threats to compliance with the fundamental principles regarding the education level (Source: Author's calculation)*

According to the results (Table 3), the third hypothesis is rejected. The level of education is related to the perceived exposure to self-interest, self-review, familiarity and intimidation threat. Only advocacy threat (promoting a client's or employer's position that can lead to detraction of the accountant's objectivity) is not related to the accountant's education level.

## 6. CONCLUDING REMARKS

This paper examines the level of self-reported exposure to the threats to compliance with the accounting ethics principles. The professional accountants in business generally face low level of self-interest, self-review, advocacy, familiarity and intimidation threat. Among those threats, the intimidation threat is the most frequent and the self-interest threat is the least recurring. Prior studies show conflicting results regarding demographic aspects of ethical behavior in accounting. This study aimed to determine the effect of gender, age and education level of professional accountants on their exposure to the threats. These threats could lead to unethical behavior of accountants so must not be ignored. Furthermore, the compromised accountant's objectivity and, ultimately, judgement can jeopardize financial reporting quality. The research is based on a large sample of professional accountants in business with a good spread across the demographic variables of interest that adds to the reliability of the findings. Research results appear to support the first and the second hypothesis. Therefore, gender and age do not have an effect on the perceived exposure to the threats (except the familiarity threat). On the other hand, the education level is related to the exposure to the threats to compliance with the accounting ethics principles (advocacy threat excluded). Hence, this paper contributes to the accounting ethics literature since it sheds light on the exposure to the threats to compliance with the accounting ethics principles. All of these findings could be the result of a specific cultural environment so the future research should be cross-country with more demographic features. One of the limitations of this study is due to self-reported exposure to the threats since accountants can have some implicit bias.

**ACKNOWLEDGEMENT:** *This paper has been fully supported by Croatian Science Foundation under the project IP-2020-02-9372 "Disentangling Financial Reporting Quality"*

## LITERATURE:

1. Aljinović Barać, Ž. (2021). *Financial Reporting Quality Measurement - Approaches, Issues and Future Trends*. In: Načinović Braje, I., Jaković, B., Ferjanić Hodak, D.. (eds.) Proceedings of FEB Zagreb 12th International Odyssey Conference on Economics and Business. Zagreb: University of Zagreb, Faculty of Economics & Business, 1 - 13.
2. Aljinović Barać, Ž., Vuko, T., & Šodan, S. (2017). What can auditors tell us about accounting manipulations?. *Managerial Auditing Journal*, 32(8), 788-809.
3. Asadiyan Owghani, A., Hajiha, Z., Royae, R., & Vakilifard, H. (2020). Investigating the Impact of Ethical Ideology and the Threat of Self-Interest on Ethical Decision-Making of Auditors. *International Journal of Ethics and Society*, 1(4), 20-14.
4. Cameron, R. A. & O'Leary, C. (2015) Improving Ethical Attitudes or Simply Teaching Ethical Codes? The Reality of Accounting Ethics Education, *Accounting Education*, 24(4), 275-290.
5. Clements, C., Neill, J. D., & Stovall, O. S. (2009). An analysis of international accounting codes of conduct. *Journal of Business Ethics*, 87(1), 173-183.
6. Erasmus, L. J., & Matsimela, T. (2020). The Municipal Audit Committee Self-review Threat: The South African Dilemma. *Southern African Business Review*, 24, 1-22.
7. Espinosa-Pike, M., & Barrainkua-Aroztegi, I. (2014). A universal code of ethics for professional accountants: Religious restrictions. *Procedia-Social and Behavioral Sciences*, 143, 1126-1132.

8. Fearnley, S., Beattie, V. A., & Brandt, R. (2005). Auditor independence and audit risk: A reconceptualization. *Journal of International Accounting Research*, 4(1), 39-71.
9. Fraedrich, J., Thorne, D. M., & Ferrell, O. C. (1994). Assessing the application of cognitive moral development theory to business ethics. *Journal of Business Ethics*, 13(10), 829-838.
10. Gendron, Y., Suddaby, R., & Lam, H. (2006). An examination of the ethical commitment of professional accountants to auditor independence. *Journal of Business Ethics*, 64(2), 169-193.
11. Hussey, R. (1999). The familiarity threat and auditor independence. *Corporate governance: an international review*, 7(2), 190-197.
12. Huterski, R., Voss, G., & Huterska, A. (2020). Professional Ethics in Accounting as Assessed by Managers of Economic Units. *European Research Studies*, 23, 720-731.
13. IESBA. (2020). *International Code of Ethics for Professional Accountants*, International Ethics Standards Board for Accountants (IESBA), Retrieved 28.08.2021 from <https://www.ethicsboard.org/international-code-ethics-professional-accountants>
14. Islam, M. R., Uddin, M. N., & Ghose, U. (2019). Can Professional Accountant Carry out their Code of Ethics in Reporting?. *International Journal of Accounting & Finance Review*, 4(1), 17-23.
15. Ishaque, M. (2020). Cognitive approach to understand the impact of conflict of interests on accounting professionals' decision-making behaviour, *Accounting Forum*, 44(1), 64-98.
16. Jenkins, J. G., Popova, V., & Sheldon, M. D. (2020). Monitoring the accounting profession under the AICPA code of professional conduct: An analysis of state board of accountancy participation. *Journal of Accounting and Public Policy*, 39(3), 106742.
17. Keller, A. C., Smith, K. T., & Smith, L. M. (2007). Do gender, educational level, religiosity, and work experience affect the ethical decision-making of US accountants?. *Critical Perspectives On Accounting*, 18(3), 299-314.
18. Messikomer, C. M., & Cirka, C. C. (2010). Constructing a code of ethics: An experiential case of a national professional organization. *Journal of Business Ethics*, 95(1), 55-71.
19. Nerandzic, B., Perovic, V., & Zivkov, E. (2012). Personality and moral character traits and acknowledging the principles of management ethics, auditing and accounting ethics. *Economic research-Ekonomska istraživanja*, 25(sup1), 288-312.
20. Pierce, B., & Sweeney, B. (2010). The relationship between demographic variables and ethical decision making of trainee accountants. *International Journal Of Auditing*, 14(1), 79-99.
21. Quick, R., & Warming-Rasmussen, B. (2015). An experimental analysis of the effects of non-audit services on auditor independence in appearance in the European Union: Evidence from Germany. *Journal of International Financial Management & Accounting*, 26(2), 150-187.
22. Radtke, R. R. (2000). The effects of gender and setting on accountants' ethically sensitive decisions. *Journal of Business Ethics*, 24(4), 299-312.
23. Rogošić, A., & Bakotić, D. (2019). Job satisfaction of accountants and their professional ethics. *Ekonomski Vjesnik*, 32(1), 165-177.
24. Roxas, M. L., & Stoneback, J. Y. (2004). The importance of gender across cultures in ethical decision-making. *Journal of Business Ethics*, 50(2), 149-165.
25. Shafer, W. E., Ketchand, A. A., & Morris, R. E. (2004). Auditors' willingness to advocate client-preferred accounting principles. *Journal of Business Ethics*, 52(3), 213-227.
26. Smith, M., Charoensukmongk, P. P., Elkassabgi, A., & Lee, K. H. H. (2009). Aspects of accounting codes of ethics in Canada, Egypt, and Japan. *Internal Auditing*, 24(6), 26-34.
27. Spalding, A. D. & Lawrie, G. R. (2019). A Critical Examination of the AICPA's New "Conceptual Framework" Ethics Protocol. *Journal of Business Ethics*, 41(4), 349-360.

28. Spalding, A. D., Jr., & Oddo, A. (2011). It's time for principles-based accounting ethics. *Journal of Business Ethics*, 99(1), 49–59.
29. Žager, K., Dečman, N., & Novak, A. (2019). Importance of ethics in the education of accountants. *Ekonomski Vjesnik*, 32(2), 463-476.