ABSTRACT. This study applies a theoretical framework, the theory of reasoned action, to the examination of unethical decision making in job-related situations encountered by CPAs. A survey methodology was employed in which respondents were asked to use both self-reported and randomized response techniques for reporting unethical behavior. The results indicate that individuals are unwilling to accurately report either unethical behavior or intention, particularly in situations where there is no question as to the unacceptability of the action or the potential penalty as presented in the AICPA Code of Professional Conduct. Implications for the accounting profession and research are discussed.

Introduction

Ethical conduct in business has been explored, documented, and examined over the last 30 years, primarily within the management, marketing, and accounting disciplines. Within accounting, the examination has sometimes been in response to Congressional investigations, such as the Dingell Committee, sometimes by way of professional response to outside pressure, such as the AICPA's Cohen Commission, and at other times via research into ethics within the accounting academic community.

This study continues the line of earlier research in ethics in accounting which concentrated on documenting the existence of unethical behavior among accountants (i.e., violations of the AICPA Code of Professional Conduct) and dysfunctional audit behaviors such as premature sign-off of audit steps and underreporting of time. Most of the earlier research, however, has not attempted to use a theoretical base for explaining behavior. When a theory base is lacking, research is limited in its explanatory power both for the situation examined, and more importantly, for other similar situations. Thus, if an appropriate theory can be found which will explain ethical behavior, it is possible to extend the frontiers of understanding to a greater extent.

One important theory of intention and behavior which has received substantial support across a number of behavioral domains (Ajzen, 1989) is Fishbein and Ajzen's (1975) theory of reasoned action. While this theory from social psychology has been found to possess strong overall predictive utility (Sheppard et al., 1988) in a number of situations, it has been used only rarely in ethical decision making (Randall, 1989), with three exceptions: a study of ethics in marketing (Dubinsky and Loken, 1989), a study of cheating in college (DeVries and Ajzen, 1971), and a study of tax refund error and church avoidance (Gorsuch and Ortberg, 1983). The findings of these studies support the concept that individuals' ethical intentions and behavior are similar to other types of intention and behavior actions.

Generally, the study of ethical/unethical behavior requires reliance on self-reported data.
since the observance of such behavior is not possible. The theory of reasoned action also relies on self-reported behavior. It is, however, unclear if researchers can “trust” self-reports of unethical conduct. Previous research has shown that individuals generally wish to present a favorable picture of themselves (Sellitz et al., 1976; Randall and Fernandes, 1991). Therefore, it was anticipated that respondents might be unwilling to self-report unethical behavior accurately.

This may be particularly true in accounting where the penalty for violating the AICPA Code of Professional Conduct demeans the profession as a whole in the eyes of the public (Finn et al., 1988), has been linked to audit failures (Pearson, 1987), and carries the threat of expulsion from the profession. It is therefore important that while using a theory such as the theory of reasoned action, which can assist in the explanation of intention and behavior, we also ensure that we get “accurate” responses when self-reported data must be relied upon.

Prior research (Buchman and Tracy, 1982; Stem & Steinhorst, 1984) has found an increase in the frequency of self-reported unethical behavior when the randomized response technique (RRT) was used. The purpose of this paper is twofold: (1) to determine if the theory of reasoned action can help explain unethical behavior in situations encountered by accountants, and (2) to compare the traditional “direct response” self-report methodology against a randomized response technique.

Background

The first reported study of ethical conduct in business was Baumbart’s survey of business executives in 1961 (Baumbart, 1961). Subsequent studies have appeared with increasing frequency, particularly over the last decade (see Randall and Gibson, 1990, for a review of ethics research). The accounting profession has also focused more attention on ethics as a result of investigation and criticism by Congressional committees and various professional organizations. The profession’s responses have included the revision of the AICPA Code of Professional Conduct and an increased emphasis on ethics education, including the development of casebooks, readings books, and seminars.

Two early researchers who took seriously the problem of accounting ethics were Loeb (1971) and Rhode (1978). Loeb (1971) studied violations of the professional code of ethics and related these violations to CPA attitudes and the size of the firm in which the CPA practices. Several researchers (e.g., Armstrong, 1985; Shaub, 1989) have extended Loeb’s work by using Kohlberg’s (1969) model of cognitive moral development. Rhode (1978) examined the influence of environmental factors on the auditor’s professional performance. His documentation of the existence of premature sign-off of audit steps and under-reporting of time has sparked several studies (e.g., Buchman and Tracy, 1982; Kelley and Sieler, 1982; Margheim and Pany, 1986) which have documented the existence of these types of dysfunctional behaviors in several different settings.

However, most of the work done has lacked the guidance of either a solid ethical theory or a well-developed model of ethical and unethical behavior. This study, therefore, extends research in the field of accounting ethics by applying a well-known theory of intention and behavior from social psychology, the theory of reasoned action, to explain unethical decision making in certain situations encountered by CPAs.

Theoretic framework

The theory of reasoned action

The theory of reasoned action (Ajzen, 1989) is a parsimonious model which assumes that human beings are quite rational and make systematic use of the information that is available to them. The model views an individual’s behavior as following logically from this information. The major goal of the theory is to understand and predict a person’s behavior.

According to the theory, which is summarized in Fig. 1, the immediate determinant of behavior (see “1,” Fig. 1) is the person’s intention to perform (see “2,” Fig. 1). Behavioral intention,