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A multidimensional analysis of the professional accountant's ethical judgement and behavioural intentions



A research report submitted by:

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A research report submitted to the Faculty of Commerce, Law and Management at the University of Witwatersrand in partial fulfilment of the requirements for the degree of Master of Commerce

Supervisors: Professor Yaeesh Yasseen and Mrs Depika Singh

February 2019

Declaration

I hereby declare that this research report submitted by me in partial fulfilment of the requirements for the degree of Master of Commerce in the Faculty of Commerce, Law and Management at the University of the Witwatersrand, Johannesburg, is my independent work and has not been submitted by me for a degree at another university.

X _____

Kaveshan Subramanian

February 2019

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Abstract

Orientation: The professional accountant's ability regarding ethical decision-making has come under increased scrutiny within recent times. This is particularly relevant within the South African accountancy environment given the recent accounting scandals that surfaced during 2017 and 2018. For professional accountants to achieve the goal of serving the public interest, they are required to have a mindset that fosters ethical-decision making.

Research aim: The primary aim of this study was to explore the different factors which influence ethical judgement and behavioural intentions of professional accountants and to investigate which are significant factors which influence ethical-decision making. Ethical judgment involves the ability of the participant to recognise the seriousness of an ethical conflict whereas ethical behavioural intentions focus on the willingness of the participant to behave ethically. The secondary aim of the study was to explore the effect of demographical characteristics on ethical decision-making.

Motivation for study: From a South African perspective, it is critical to ensure that professional bodies who are tasked with developing the accounting profession as well as serving the public interest gain a better understanding of the different factors which influence ethical judgment and behavioural intentions of professional accountants.

Research approach and method: This study used a multidimensional ethics scale (MES) to measure the significant considerations of professional accountants when faced with an ethical dilemma. A quantitative research approach was followed and a questionnaire based upon the MES and three tax related ethical dilemmas was used to gather data. To address the research aims of the study, two research questions were answered through hypothesis testing which involved both descriptive and inferential statistical methods.

Main results: The primary results indicated that factors such as morality, fairness, justice and acceptability to one's family play the most significant role in influencing the ethical judgement of professional accountants. In addition, it was found that egoism which prioritises the long-term self-interest of the professional accountant significantly influences their ethical behavioural intentions. Lastly, the secondary

results indicated that demographical characteristics such as rank and highest qualification attained by professional accountants play an important role in influencing the mind of the professional accountant when faced with an ethical dilemma.

Application: This study contributes to the existing body of research involving ethical decision-making of professional accountants. This is an important topic in the current discourse on accounting and amongst accounting professionals. Furthermore, the results of this study can also form the basis of a mechanism for change within professional accounting bodies (PAO's). The results of this study can be applied to assist in re-aligning continuous professional development (CPD) programmes. Based on the results, professional bodies can shift their focus in terms of CPD's towards prioritising public interest as a key consideration for current and future accountants. To this end, PAO's and higher education institutions can use this contribution when designing a new syllabus which addresses the issues that arise around ethical decision-making.

Contributions: Key conclusions of this study contribute to the understanding of professional accountants' ethical judgment and behavioural intentions. The topic under investigation is in direct response to calls for increased research on ethical judgement and behavioural intentions of professional accountants. The results also contribute towards a better understanding of the effects of gender, rank and professional qualifications on ethical decision-making.

Key words: Ethics, ethical judgement and behavioural intentions, multidimensional ethics scale, professional accountant.

CHAPTER 1: INTRODUCTION

1.1 Background

The accounting profession has recently been affected by several accounting scandals (Bowker, 2018; Brown, 2018; Times Live, 2018). Most recently, unethical conduct by professional accountants led to the downfall of corporations such as Steinhoff and African Bank. On an international scale, the Panama papers exposed the negative aspects of the accounting profession and how some of its members prioritised the needs of their wealthy clients over public interest when they exploited tax havens around the globe (Dunn, 2016). These scandals have brought into question the ethical decision-making and professional judgement of professional accountants (Reserve Bank, 2016; Rossouw, 2017; Viceroy, 2017). There is a perception that the accountants, who should be acting in the public's best interest, are not practicing good ethical decision-making which results in branding the majority of professional accountants as unethical (Uyar & Güngörmüş, 2017).

Professional accountants must at all times maintain the responsibility of acting in service of public interest (IESBA, 2014). However, the above-mentioned public scandals have not only negatively affected the accountancy profession, but also had far-reaching negative effects on the ethicality of accountants in practice (Malope, 2018). This has created a negative perception related to their ethical decision-making and professional judgement (Marriage, 2018).

Ashton (2003), argues that the accounting profession achieved its power and wealth through relinquishing its body of knowledge in doses. Therefore, like most professions, the sustainability of this profession lies at the dependency of it (Ashton, 2003). According to Makhabane (2015), accounting ethics are central to the sustainability of this profession and the public scandals that have affected the accounting profession have led to an increased focus on the need for accountability and transparency in the profession. Makhabane (2015) statement provides reasoning for society placing has resulted in a higher premium on ethical decision-making, which lies at the core of this profession. With ethics forming such an important aspect of this profession, it would be logical to conclude that the sustainability of this profession is dependent on ethical decision-making of its

members. Given the importance of ethics within the profession, it is central to the purpose of this study as discussed in the following section.

1.2 Purpose of study

The purpose of this research was to explore the different factors that affect ethical judgment and behavioural intentions of professional accountants. An empirical study conducted by Cruz, Shafer and Strawser (2000) investigated the ethical judgements and behavioural intentions of certified public accountants (CPAs) in the United States of America, involving client pressure to adopt aggressive reporting positions. This research report was a replication of the Cruz et al. (2000) study within a South African context.

1.3 Context and significance of the study

There has been a public outcry for the investigation into ethical breaches that have plagued the accounting profession (Thokan-Mahomed, 2017). This has resulted in increased pressure mounting on professional accounting organisations (PAO's) to take responsibility for these breaches and to take steps to restore trust in the accounting profession (Malope, 2018).

There has been limited research in South Africa around the ethical decision-making and professional judgement of professional accountants. In addition, there has been a call by researchers for investigation and statistical analysis of ethical behaviour based on demographical data such as gender (Lubbe, 2013).

This research report contributes to the existing body of knowledge in several ways. Firstly, it is a response to the call for increased research around the ethical decision-making of professional accountants (Lubbe, 2013). Secondly, it measures the significant ethical dimensions that professional accountants value in ethical decision-making. This may allow PAOs and learning institutions to identify possible problem areas for future professional accountants' ethical decision-making. This will provide a vital impact on the future of the profession as significant PAOs are currently working with teaching institutions to remodel the requirements of the professional accountant of the future (SAICA, 2017). Lastly, this report provides the South African Revenue Service (SARS) with insight into the ethical considerations of professional accountants based upon which SARS can provide awareness on

why certain considerations are unethical and not appropriate in relation to tax compliance.

1.4 Problem statement

Ethical decision-making should be a key priority for members of the accountancy profession to achieve the goal of serving public interest. The number of scandals that have plagued the profession are indicative that public interest is not always a key consideration for all professional accountants and this is to the detriment of ethical behaviour in this profession (Bowker, 2018; Brown, 2018; Times Live, 2018). Furthermore, ethical decision-making should be firmly guided by what is in the best interest of the public. However, based on these scandals, it is apparent that the decision-making and subsequent behaviour of some members of the accounting profession, are not significantly influenced by public interest. Therefore, this study explored the significant factors which do influence professional accountants' ethical judgment and behavioural intentions.

1.5 Research questions

The primary research questions of the study are:

Research question 1: Will the ethical dimensions identified be significantly influenced by demographical factors such as gender, rank and qualification?

Research question 2: What are the significant ethical dimensions considered by professional accountants when faced with an ethical dilemma?

Research question 2 will be explored through three sub-questions:

***Sub-question 1*:** Does the MES factor structure confirm the existence of moral equity, relativism, contractualism, egoism and utilitarianism in the context of tax practice?

***Sub-question 2*:** Which dimension is most significant in influencing professional accountants' ethical judgements?

***Sub-question 3*:** Which dimension is most significant in influencing professional accountants' ethical behavioural intentions?

Each of the sub-questions has a related hypothesis which has been derived to answer the sub-question. Each of these hypotheses will thus be used to answer the main research question 2. The alternate hypothesis related to each sub-question is presented in *Figure 1.*

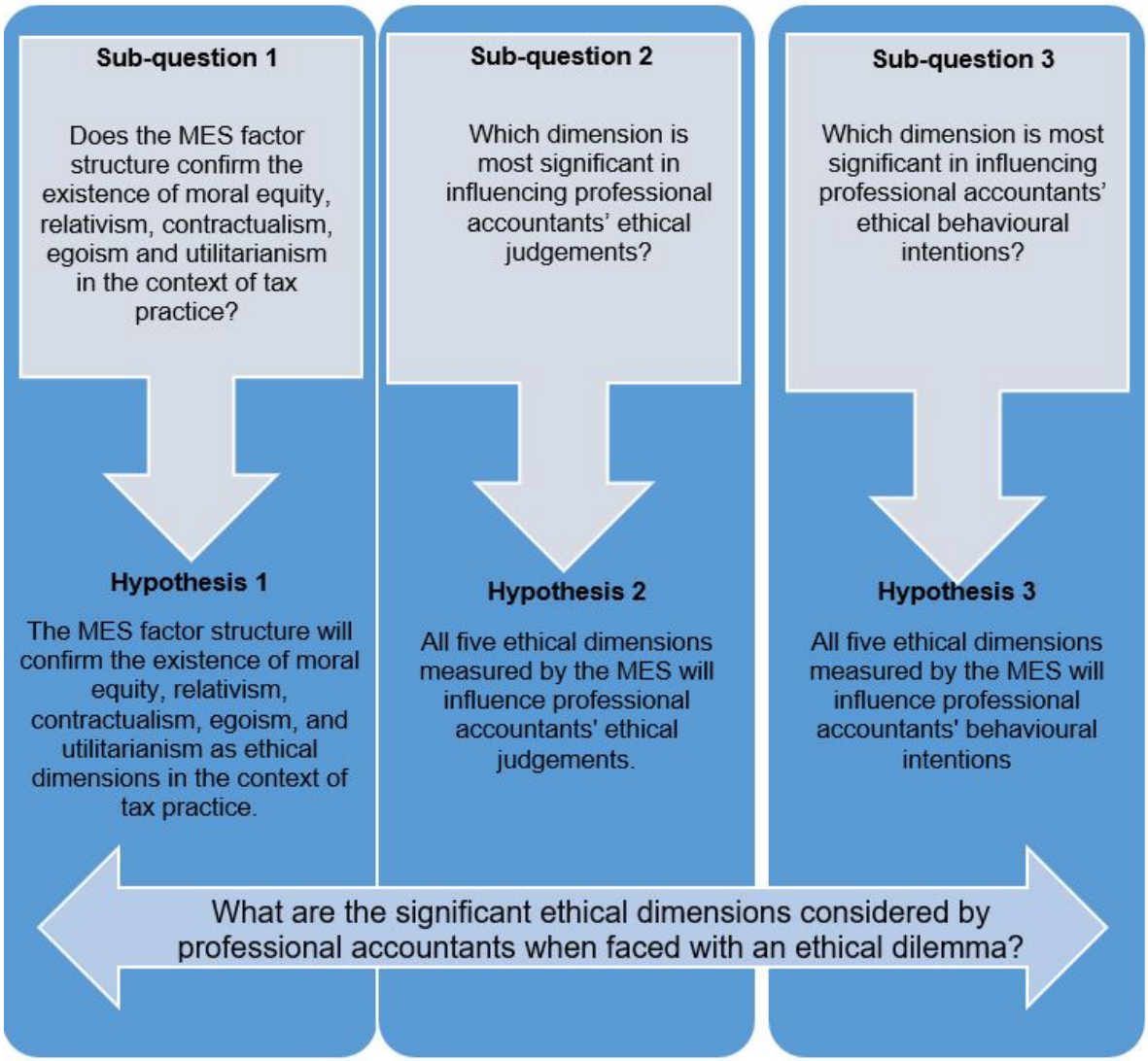


Figure 1. Research question 2 with sub-questions and related hypotheses

1.6 Assumptions

The assumptions related to this research report are as follows:

- This was an exploratory study. Therefore, it was assumed that the world of accounting is a field of social science. Social science can be described as the scientific study of human behaviour (Punch, 2014). In relation to this study, ethical decision-making is a product of human behaviour. The field of accounting is therefore assumed to be a field of social science as the professionals within the

field use their knowledge and academic framework and background to make ethical decisions.

- All professional accountants that completed the questionnaire are members of a registered professional accounting organisation in South Africa and hold professional designations such as the Professional Accountant (SA) and the Chartered Accountant (SA).
- The advice professional accountants give could be different based on the respective practitioners' interpretation of the tax legislation.
- All professional accountants that are members of their respective organisations are assumed to have the required knowledge to advise hypothetical clients in the case study.
- Based on the positivist belief that there is a cause-and-effect thinking mindset present in individuals (Creswell & Clark, 2017). This study assumed that this mindset is present when participants are faced with an ethical dilemma. In the context of this study, this means that there is a particular cause that leads to a decision being made by the participant. To this end, this study assumes that participants possess the trait of reductionism in the sense that they are able to break down the consequences of their decision making into the various ethical dimensions (Creswell & Creswell, 2017).
- In line with the positivist approach, the underlying assumption of this study is that all observations in the world are measurable (Creswell & Creswell, 2017; Ormrod & Leedy, 2005).
- The positivist worldview also reflects the belief that the scientific method uncovers the undeniable truth (Ormrod & Leedy, 2005). This assumption provides support for the various statistical methods employed by this study.
- This research report will assume that the respondents were honest and answered on the basis that they are professional accountants who were tax practitioners and in good standing with SARS.

1.7 Limitations

The limitations of the research are as follows:

- This study does not intend to extrapolate the results to represent ethical consideration related to professional accountants around the world, but it is limited to South Africa.
- The research is limited to the specific geographical location of the seminars at which the questionnaire were distributed.
- The use of a case study is a limitation as it cannot be assumed that the results of this study can definitively be extrapolated to other scenarios that are not present in the presented case study (Ormrod & Leedy, 2005).
- There is a potential personal bias in the study as the researcher and reviewers are either accountants or are of the intention to become accountants (Ormrod & Leedy, 2005).
- The results of this study are limited to the perceptions and behaviour of the members of the two professional accounting bodies which dominated the sample.
- Due to following a positivist framework, this research is limited as it provides a superficial view on the ethical decision-making and behavioural intentions (Crossan, 2003). This is largely due to the ethical decision-making of the subjects being influenced by other factors such as their feelings and attitudes on the day of the questionnaire.

1.8 Ethical considerations

The research was conducted with due care and consideration to ensure it does not cause harm to any individual, group or organisation. This was done through following the University of Witwatersrand due processes.

These processes involved submitting the research paper for approval by a competent panel of well-established researchers. Their approval allowed for the application of an ethics clearance number obtained from the University. This number was received on the 28 August 2018. The questionnaires were distributed to the participants after the above-mentioned approval processes.

Furthermore, participants took part in the questionnaire at their own free will and under no obligation. The questionnaire was completed anonymously. Therefore, no participants could be harmed or be influenced in terms of how they answered the questions by fear of their identity being revealed. The data obtained from the questionnaire was also kept under lock and key to ensure that all data obtained

remained confidential and available for future reference. In addition to the above, there was no falsification of the data and thus the data is free from error or bias. Lastly, the results of this research report will be made available to all interested parties.

1.9 Report outline

The literature review in Chapter 2 begins with explaining the overall strategy implemented to develop the literature review. The definition of ethics is comprehensively attended to. Prior studies were selected to analyse the factors that affect professional accountants' ethical judgement and behavioural intentions. In Chapter 3 the research method used to test the factors which influence professional accountants' ethical judgment and behavioural intentions is discussed. Chapter 4 is dedicated to the analysis of the results of the research. The report concludes with Chapter 5and the identified recommendations and areas for future research are also discussed in this chapter.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

There are various important objectives of a literature review. Firstly, it aids the researcher in establishing the framework within which the research is conducted and to establish what is already known concerning the research topic. Secondly, it enables the researcher to provide a justification for the research question by identifying gaps within the existing body of knowledge.

In this chapter, the researcher will firstly discuss the overall approach that was followed in developing this literature review (Section 2.2). In Section 2.3 ethics is defined with a particular focus on why ethical decision-making is central to the role of the professional accountant. Two further key concepts of this study, namely, ethical judgement and behavioural intentions are discussed in Section 2.4 in the context of the professional accountancy profession. In Section 2.5 the effect of gender on moral development and ethical-decision making are discussed. Section 2.6 is dedicated to identifying the fundamental blocks which make up an ethical dilemma and an explanation on the common ethical dilemmas of professional accountants is provided. The respective focus of Section 2.7 and 2.8 is on the role of loyalty of the professional accountant and their role as tax practitioners. This is followed by an explanation of the importance of the multidimensional ethics scale and the various ethical theorems and philosophies that underpin the scale that was used in this study (Section 2.9). Section 2.10 concludes the chapter and key elements of the literature review is provided, which formed the basis for the development of the hypotheses underpinning this study.

2.2 Systematic review

The specific objectives of the literature review in terms of the research questions were to provide a clear definition of ethics and review the importance of professional accountants practicing ethical decision-making. Furthermore, the objective of this section was to synthesise prior literature with the aim of identifying the various factors that influence ethical judgment and behavioural intentions of professional accountants. To this end, this research report implemented a systematic literature review strategy to achieve these objectives.

Gough, Thomas, and Oliver (2012) define systematic reviews as a form of research that identifies, describes, appraises and synthesises the available research literature. Systematic reviews are used to address the research questions in their own right and not to provide all background research which relates to the research question (Punch, 2014). The main aim of a systematic review is to pull together and integrate the high quality research which relates to the research question (Punch, 2014). This type of approach allows the researcher to select the literature relevant to the research questions which enhances the legitimacy of the research within the context of the existing body of knowledge due to high quality literature being selected (Onwuegbuzie, Leech, & Collins, 2012; Popay, Roberts, Sowden, Petticrew, Arai, Rodgers & Duffy, 2006; Punch, 2014). Furthermore, Tranfield, Denyer and Smart (2003) stated that systematic research has traditionally been applied to quantitative and positivist research. The motivation and explanation for this research study following the positivist paradigm is explained in Section 3.2 of this study. Lastly, this report followed a systematic review approach as it allowed for the researcher to minimise bias and errors in the review (Tranfield et al., 2003). Other studies in the accountancy field have also implemented the systematic literature review to achieve their objectives. A recent example of such studies were performed by Dumay, Bernardi, Guthrie, and Demartini (2016); Engelbrecht, Yasseen, and Omarjee (2018).

2.3 Ethics defined

A clear understanding of what the concept of ethics refers to, is important as this concept is central to this study. In this section the definition of ethics that will be used for this study is provided. The importance of ethics within the accounting profession is subsequently outlined in Section 2.3.1 followed by a discussion of the role of codes of professional conduct in professions with specific emphasis on the accounting profession (Section 2.3.2). Lastly, the significance of public interest in the accounting environment is discussed in Section 2.3.3.

As mentioned in Section 1.1, the emphasis is on the ethics of the members within the accounting profession. The term ethics originates from the Greek word ‘ethikos’ (Rossouw, Prozesky, Du Plessis & Prinsloo, 2010). The etymological meaning of ‘ethics’ relates to the moral principles of a person or group and arose from the

1650's. According to Rossouw et al. (2010), one must consider three concepts; self, the good and the other to develop an adequate definition of ethics. Behaviour can be considered ethical if it is not only good for the self but also good for the other (Rossouw et al., 2010). This should not be interpreted that ethical behaviour implies one should only act selflessly as this will mean there is total disregard for the self-component of the triangle shown in *Figure 2.* The term good in context of this study can have different meanings dependent on which ethical dimension/theory an individual relates to. These dimensions and the relation between the term "good" and these dimensions, are explained in section 2.9.

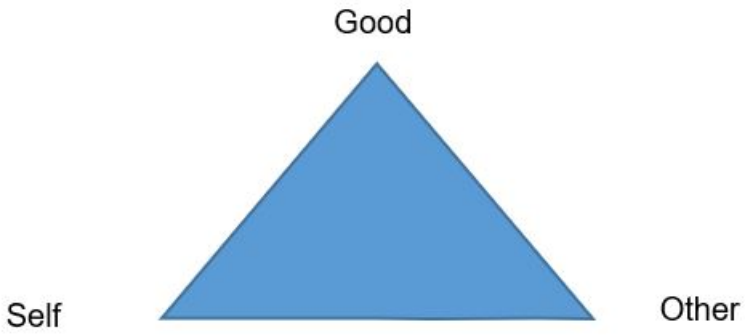


Figure 2. Ethical triangle

In summary, the underlying principle regarding this definition of ethics is that ethical people should do to others what they expect others to do to them (Rossouw et al., 2010). Therefore, practicing good ethical judgement involves the application of these three key dimensions when faced with an ethical dilemma. Professional ethical judgement can be said to consist of the application of professional knowledge in combination with attending to the three dimensions in making ethical decisions. This definition in conjunction with the ethical theorems and philosophies discussed in Section 2.9 will be used to analyse the ethical judgement and behavioural intentions of professional accountants in the context of this study.

2.3.1 Ethicality of accountants

To grasp the importance of this study, it is vital to have an understanding of why ethical decision-making should be prioritised specifically for professional accountants. The following sections will provide insight into the importance of ethical decision-making of professional accountants.

The origins of accounting began as a concept of the activity of keeping account (Ravenscroft & Williams, 2009). This is where the historical notion of stewardship and accountability began as stewards were tasked with keeping record of the temples resources. Ravenscroft and Williams (2009) stated that it originated with the necessity to maintain societal hierarchy and redistribute communal resources. Accountability of resources was therefore primarily the reason for the birth of this profession.

In order to properly analyse the conduct of professional accountants and their role in society, it is important to understand the meaning of the word 'profession'. Savan (1989) defines professions more broadly as groups of individuals which apply specialist knowledge in the service of a client. Professions have also been synonymous with public interest (Lennertz, 1991). In summary it can be stated that accountants form part of a profession due to the practice of providing specialist accounting knowledge to further the pursuits of clients and employers.

Professionals are viewed as highly credible members of society (Higgs-Kleyn & Kapelianis, 1999; Savan, 1989). Due to their relatively high status, professionals and particularly professional accountants represent an authoritative symbol of social responsibility. It is with the above-mentioned reasons that ethical breaches within the accounting profession, impair the legitimacy of the profession as a whole (Kerr & Smith, 1995).

Professional accountants have the objective in some form or the other to communicate the economic transactions of the company in a financial period to the users. This process has in the past brought to light manipulation of financial statements by professional accountants to suit their personal needs (Rossouw, 2017; Watts & Zimmerman, 1983).

Accountants who belong to a professional body are bound by professional codes of conduct which aim to curb unethical behaviour and provide guidance where conflicts of interest occur (Mabutha, 2017; Waples & Darayseh, 2009).

2.3.2 Code of professional conduct

All professional accountants within South Africa belong to one of the accounting PAOs. Professions are distinguished from other occupations by a few features.

One of these features is that their professional bodies have self-imposed ethical standards that their members must adhere to (Claypool, Fetyko & Pearson, 1990; Cottell & Perlin, 1990; Rossouw et al., 2010). These standards are also referred to as professional codes of conduct.

Current trends facing the accounting profession in terms of conflicts of interest place increasing challenges before professional accountants (Higgs-Kleyn & Kapelianis, 1999; Reserve Bank, 2016; Rossouw, 2017; Viceroy, 2017). Therefore it is essential for the accounting profession to have ethical guidance for professional accountants to live up to the modern expectations (Higgs-Kleyn & Kapelianis, 1999).

Professional ethics can be defined as the codes of ethics adopted by professionals in their roles as a professional (Mabutha, 2017; Rossouw et al., 2010). A method of maintaining professional ethics is through the implementation of professional codes of conduct to ensure professionals maintain high standards of ethical conduct (Higgs-Kleyn & Kapelianis, 1999). Professional bodies such as the South African Institute of Chartered Accountants (SAICA) and the South African Institute of Professional Accountants (SAIPA) are two examples within the South African accounting profession that have implemented codes of professional conduct for their members. Both of their codes of professional conduct are based on the IESBA (2014) Code of Ethics for Professional Accountants.

Professional codes of conduct assist in the ongoing relationship with society as it aims to resolve tensions that the public have around the autonomy of professionals and their bodies (Higgs-Kleyn & Kapelianis, 1999). The code acts as a vehicle which drives its members to question their values and enhance legitimacy of the profession (Higgs-Kleyn & Kapelianis, 1999).

As much as the code assists professionals in ethical decision-making, ethical breaches have still plagued the profession (Rossouw, 2017; Viceroy, 2017). The question arises as to whether professional accountants use the tools at their disposal when faced with ethical dilemmas. Furthermore, there is a gap in academic literature around the considerations of professional accountants when faced with ethical dilemmas. Perhaps the results of this research report can

assist to provide guidance in adapting the codes of professional conduct to take into account the current considerations of professional accountants when faced with ethical dilemmas.

2.3.3 Public interest

The International Federation of Accountants (IFAC) has defined public interest as the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy (IFAC, 2012). IFAC stated that public interest is simply the hallmark of the accounting profession (IFAC, 2012). To this end, IFAC undertook the responsibility of defining both 'public' and 'interest'. IFAC (2012) stresses that the public aspect is inclusive of all society. To address the 'interest' aspect, IFAC identified the benefits that should arise from the responsibilities of the accounting profession (IFAC, 2012).

The public interest normative theory refers to what should motivate individuals (Levine & Forrence, 1990). The theory posits that individuals such as public servants should be motivated by furthering the vision of public good (Levine & Forrence, 1990). This section is focused on the importance of professional accountants acting in service of public interest and the risks to the profession when they do not.

The very nature of any profession in general and specifically the accounting profession is the obligation not only to their clients but also to other members of the profession and the public (Higgs-Kleyn & Kapelianis, 1999).

Accountants have an allegiance towards the public interest (Waples & Shaub, 1991). This is due to the fact that the majority of the users of financial statements make significant decisions based on their work and thus they should always be acting in line with the public's best interest (IESBA, 2014). The risk of professional accountants not acting in service of public interest could result in investors losing huge amounts of money (Bowker, 2018; Rossouw, 2017; Viceroy, 2017). However, in contrast to this, Section 300.10 of the Code of Professional Conduct, states the accountant should promote the organisation's position in an attempt to further the goals and objectives of the employing organisation (IESBA, 2014). This contrasting practicing guide could result in the

professional accountant having an ethical dilemma in terms of to whom he owes his allegiance (Cruz et al., 2000).

According to Cruz et al. (2000) and Jones (1991) ethical decision-making consists of two elements, namely, ethical judgements and ethical behavioural intentions. These two elements and their contribution towards ethical decision-making are discussed in the following section.

2.4 Ethical judgements and behavioural intentions

Ethical judgement can be defined as the interpretation of the decision-maker on the seriousness of the situation, which involves an ethical conflict (McManus & Subramaniam, 2009). McManus and Subramaniam (2009) further define ethical behavioural intentions as the likelihood that the decision-maker would seek guidance on the ethical conflict and the willingness for him to act ethically when faced with ethical conflict. Cruz et al. (2000) and Jones (1991) state that ethical decision-making is influenced by ethical judgements and behavioural intentions. These two definitions are important as they form the crux of the hypothesis testing in Section 3.

Ethical judgements are influenced by environmental factors such as cultural, industrial, organisational and personal experiences which affect the perception of an ethical problem (Jones, 1991). These factors along with deontological and teleological theories make up ethical judgements of a decision-maker (Jones, 1991).

Buchan (2005) states that behavioural intentions serve as a proxy for ethical behaviour. Simply put, the stronger the intention; the greater the likelihood to engage in the intended behaviour (Buchan, 2005). Therefore, ethical behaviour can be investigated through examining the ethical behavioural intentions of a decision maker. Behavioural intentions are influenced by subjective normative beliefs (Buchan, 2005). This would imply that the decision-maker is influenced by whether his peers would encourage a particular action (Buchan, 2005; Jones, 1991). McManus and Subramaniam (2009) stated that peers have a significant influence on ethical behaviour. In line with the results above, the use of peer intentions could pose as a great surrogate for behavioural intentions of a decision-maker (Cruz et al., 2000).

Jones (1991) summarised the above assertion by stating that judgement affects intention. This implies that both judgment and intention contribute to ethical decision-making. IFAC's statement that public interest is simply the hallmark of the accounting profession results in a clearly visible risk of bad ethical judgement and behavioural intentions to the profession (IFAC, 2012). Bad ethical judgement and behavioural intentions will lead to increased distrust in the ethical decision-making of professional accountants and puts the sustainability, legitimacy and creditability of the accounting profession at risk (Makhabane, 2015).

Since ethical judgment is a complex matter, it is necessary to also focus on additional aspects that could influence ethical judgement. The following section is dedicated to a discussion of the effect of moral development and gender on ethics.

2.5 Moral development, gender and ethics

Two of the key objectives of this research was to investigate the effect of moral development and gender on ethical decision-making. In this section an overview of existing literature on the effect of moral development and gender on ethical behaviour is provided.

Moral development focuses on the changing beliefs regarding morality (right or wrong) from childhood to adulthood (Trevino, 1986). Ethical decision-making is significantly influenced by an individual's morality. Therefore, moral development ultimately effects ethical decision-making (White Jr, 1999). Further proof of the effect of moral development on ethical decision-making is found through the consideration of normative ethics. Normative ethics can be defined as the principles and practices considered important by whom and why (Manners, 2008). Manners (2008) stated that this focuses on the impact of these beliefs on what is right and wrong. The way to teach normative ethics is through moral development (Armstrong, 1993).

Rest (1986) and White Jr (1999) state that researchers have concluded that age, education and life experience are primarily determinants for moral development and ultimately ethical behaviour. Gender has been identified as a determinant of moral development by extensive research, however that research has provided inconclusive results (White Jr, 1999).

White Jr (1999) further investigated the effect of gender on moral development and found that women score higher on a moral development test which implies that women have better moral grounding than men. The test was known as the 'Defining Issues Test' created by Rest (1986). However White Jr (1999) admitted that the results of his study does not prove that women are more ethical than men as that was not within the scope of the research and the moral development test. White Jr (1999) called for further research into the effects of gender on ethical behaviour to provide further insight on his research results. It would therefore be important to investigate whether gender as a demographical factor affects ethical decision-making of professional accountants in South Africa.

2.6 Common ethical dilemmas

To draw conclusions on the ethical considerations that professional accountants have when making decisions, it would require a scenario that encompasses the most common ethical dilemmas they face. This would allow the research report to draw inferences regarding the larger population of professional accountants as the ethical dilemma experienced would be common. This section provides insight into the fundamental elements of an ethical dilemma and how it applies to this study.

Ethical dilemmas are required to include three basic aspects to be regarded as an ethical dilemma (Allen, 2012). The first requirement would be that an agent must be tasked with taking the best course of action in the scenario (Allen, 2012). Secondly, the agent must be given a choice between more than one option (Allen, 2012). It will not be an ethical dilemma if there is an entirely correct or obviously correct answer. Lastly, no matter what the choice is, an ethical value must be compromised in each option (Allen, 2012). A scenario that encompasses all these would constitute an ethical dilemma.

Finn, Chonko and Hunt's (1988) research on the ethical problems that professional accountants face proved that independence in auditing and ethical problems around tax fraud and tax alteration were the most common (Finn et al., 1988). This would therefore pose a great pathway in which the ethical considerations of professional accountants could be tested.

South Africa, similarly to the majority of the world, operates on a capitalistic system. This means that organisations are driven by the profit motive (Rossouw et al., 2010).

The profit motive suggests that organisations exist to generate profit which is the lifeblood of a capitalistic system (Rossouw et al., 2010).

The report published by the World Bank Group (2017) indicates that the biggest source of increased profits is the growth of small and medium enterprises. In addition IFAC (2017) stated that a significant area for growth of these enterprises lies within the tax compliance space.

The people who are tasked with adhering to tax legislation for tax compliance in the SME sector are professional accountants. These tax services are provided by professional accountants as they have specialist knowledge in the tax field and can also be known as tax practitioners. This will be the main driver as to the reasoning professional accountants who operate within the Small Medium Enterprise environment will be selected as the population for the Chapter 3.

As a result, it would be appropriate to make use of professional accountants who provide tax advice as a sample, to test the ethical considerations of professional accountants in a scenario. In addition, a professional accountant is faced with ideally four subject matters during his or her career, namely: auditing, management accounting and finance, financial accounting and taxation. Taxation and auditing are the fields in which ethical dilemmas are most common and applicable. The third aspect based on the research of Finn et al. (1988) relates to the independence of the professional accountant as this is the third most common ethical issue that they are faced with. Therefore, the aspects to be encompassed in the cases referred to in Chapter 3, are independence and tax compliance. In order to provide further context to these aspects, the loyalty of the professional accountant as well as his or her role as tax advisor within a tax system will be discussed.

2.7 Professional accountant loyalty

When professional accountants are faced with ethical dilemmas, significant disagreements regarding who the professional accountants owe their loyalty to, arise (Cruz et al., 2000; Higgs-Kleyn & Kapelianis, 1999).

As per Section 241 of the Tax Administration Act 28 of 2011, legislation prescribes professional accountants who specialise in tax, owe their loyalty to SARS as they have strict guidelines against professional accountants advising their clients to either

postpone or avoid their tax liability (RSA, 2011). However, in contrast to this, the IESBA (2014) code states in Section 300.10 that the accountant should promote the organisation's position to further the goals and objectives of the employing organisation. Aggressive tax positions can result in significant tax benefits which can boost profitability. Kaplan and Reckers (1985) found evidence that this dilemma existed when they found tax cheating to be acceptable by accountants' if they experienced a senior accountant advising an aggressive position too. As a client's tax position moves from aggressive to clearly fraudulent, it is not always clear at which point the professional accountant should advocate for a less aggressive approach due to risk of a fraudulent transaction (Cruz et al., 2000). To this end, accountants find themselves in a position of ethical conflict as they aim to promote their organisations goals while maintaining a position that is aggressive and ethical. Professional accountants occupy a complex position with conflicting interests in the environment in which they operate as they have to meet the needs of various parties simultaneously (Mahomed, 2013). They need to save the client money in order to retain the client but at the same time, not give unethical advice. This poses an ethical dilemma for the professional accountant as he could be faced with a scenario where he intentionally advises clients to push tax laws to its limits due to the financial benefits of retaining a client. This behaviour was confirmed by Burns and Kiecker (1995) when they found that professional accountants' attitudes towards unethical behaviour changes when that behaviour has favourable consequences for the accountant's firm.

2.8 The role of professional accountants as tax advisors

There has been a steady increase in the use of professional accountants as tax advisors over the years. According to Sheila Killian (2004) the reason of the increase is due to tax legislation becoming more intricate. Mahomed (2013) stated that taxpayers use tax advisors for multiple reasons, including the assistance in tax-return preparation, submission of tax returns, resolving ambiguous matters, minimising a client's overall tax liability and legal representation on litigation with revenue authorities. It is therefore clear to see that professional accountants as tax advisors play a vital role in voluntary tax compliance (Mahomed, 2013). Taxpayers could therefore be influenced by the advice that professional accountants, acting in the capacity of tax advisors, give their clients (Mahomed, 2013).

SARS has however stated that professional accountants as tax advisors have equally played a vital role in facilitating tax evasion by taxpayers in terms of providing advice to this effect (SARS, 2017).

This shows that professional accountants as tax advisors will have to use ethical judgements when advising taxpayers aggressively due to the ethical dilemma that they face.

Based on the above discussion, it is clear how complex the ethical decision-making context of professional accountants are. Therefore, it is necessary to acknowledge these, and other complexities when researching ethical decision-making and behaviour. The following section is dedicated to a discussion of the MES and the various ethical theorems that underpin the scale in order to provide deeper insight into the MES which provided a framework to draw conclusions on significant aspects of ethical decision-making in this study.

2.9 The multidimensional ethics scale and ethical theorems

The MES, initially developed by Reidenbach and Robin (1990), will provide insight into the philosophies and rationales that underline ethical judgements and behavioural intentions (Cruz et al., 2000; Reidenbach & Robin, 1990). The MES scale assumes that ethical decision-making is influenced by more than one dimension. These dimensions can also be referred to as ethical philosophies, constructs or theorems. Each of these ethical dimensions is represented on the scale through different proxies which ultimately represent the same ethical dimension. Reidenbach and Robin (1990) first developed the scale by analysing participant responses on three scenarios namely; retail, auto-motive and sales scenarios. The results provided insight into the rationales which underpin ethical judgement and behavioural intentions. Cohen, Pant, and Sharp (1993) further validated the MES through applying the same instrument with different scenarios to provide evidence that the scale can be used in other scenarios. Cohen et al. (1993) applied the MES in accounting scenarios and provided consistent results to the original Reidenbach and Robin (1990) study. This provided evidence that the MES can be used in an accounting context and is indeed multidimensional.

The five ethical dimensions that feature within the MES include different ethical values or theorems (Cohen et al., 1993). Thus, when using the MES, it is important

to fully understand the theorems or values that underpin the scale. These involve common ethical values or theorems namely, moral equity, contractualism, relativism, egoism and utilitarianism. These ethical constructs are explained below and summarised in Table 1 after the discussion.

2.9.1 Moral equity

Beauchamp (1982) stated that morality in its broadest and most familiar meaning refers to beliefs around what is right and wrong human conduct. This is similar to normative beliefs which can be expressed in different words such as good, bad, virtuous, praiseworthy, right and blameworthy. The inclusion of acceptable/unacceptable to family was included to represent a broader notion of good or bad (Reidenbach & Robin, 1990). This dimension is significantly influenced by childhood upbringing when the understanding of fairness versus unfairness and right versus wrong is developed. Thus, the term 'good' in the context of moral equity refers to actions which are fair, just, acceptable to family and morally right.

The proxies for moral equity in the MES are as follows:

1. Fair/unfair
2. Just/unjust
3. Acceptable/unacceptable to my family
4. Morally/not morally right

(Reidenbach & Robin, 1990)

2.9.2 Contractualism

Reidenbach and Robin (1990) stated that contractualism is a purely deontological dimension. The core of a deontological belief is based on a series of rules and not on the outcome. These rules are represented by the implied obligation or duties of a contract within the contractualism dimension (Reidenbach & Robin, 1990). Most important to this dimension is the idea that a social contract exists between society and business. This is evidenced by most if not all business exchanges involving an implicit or explicit promise (Reidenbach & Robin, 1990). These transactions are *quid pro quo* where one party is obligated to perform a service in return for consideration (Reidenbach & Robin, 1990). This dimension

takes *quid pro quo* a step further by including an ethics of exchange. Reidenbach and Robin (1990) state that notions of fair play and telling the truth are included as a broadened ethical guideline in the context of this dimension. Violations of the ethics of exchange will result in an unethical action (Reidenbach & Robin, 1990). Thus, the term 'good' in the context of contractualism refers to actions which do not violate the unspoken promise or unwritten contract.

The proxies for contractualism in the MES are as follows:

1. Violates/does not violate an unspoken promise
2. Violates/does not violate an unwritten contract

(Reidenbach & Robin, 1990)

2.9.3 Relativism

This dimension is more concerned with ethical guidelines inherent in a social/cultural system rather than individual considerations (Reidenbach & Robin, 1990). Therefore, this dimension purports that social and cultural systems assist in defining our ethical beliefs. Reidenbach and Robin (1990) state that these social system parameters extend beyond the legal structure of society. Ethical guidelines in terms of relativism are influenced by traditional, historical and culturally learned behaviour that an individual acquires later in their developmental stages (Reidenbach & Robin, 1990). Therefore, this dimension can be influenced by experiences later in life which creates the distinction between moral equity and relativism. Thus, the term 'good' in the context of relativism refers to actions which are traditionally/culturally acceptable.

The proxies for relativism in the MES are as follows:

1. Traditionally acceptable/unacceptable
2. Culturally acceptable/unacceptable

(Reidenbach & Robin, 1990)

2.9.4 Egoism

Reidenbach and Robin (1990) stated this as a teleological theory. This is an ethical theory that is based on the consequence of actions (Reidenbach & Robin, 1990). The distinguishing factor for this dimension is that the consequences for

the individual are prioritised in this construct. An action can be viewed ethical in this dimension if it promotes the individual's long term interests (Reidenbach & Robin, 1990). This dimension is closely associated in business with Adam Smith's invisible hand theory which suggests that individuals who act in their own self-interest will ultimately promote the benefit of greater society (Reidenbach & Robin, 1990). Thus, the term 'good' in the context of egoism refers to actions which are self-promoting and personally satisfying for the practitioner.

The proxies for egoism in the MES are as follows:

1. Self-promoting for the practitioner/Not self-promoting for the practitioner
2. Personally satisfying for the practitioner/Not personally satisfying for the practitioner

(Reidenbach & Robin, 1990)

2.9.5 Utilitarianism

Both egoism and utilitarianism are based on the same underlying basis of ethical behaviour which is to evaluate the consequence of an action. As mentioned above, this is known as teleological ethical theory. This theory was founded by Stuart Mill who stated that actions are ethical if they contribute to the ultimate goal of human beings (Rossouw et al., 2010). Mill (1863) describes the ultimate goal for human beings as happiness. Therefore an action will be deemed ethical if it contributes to the happiness of the majority of those affected (Rossouw et al., 2010). Simply put the consequences on society are used as ethical guidelines to determine whether an action is ethical under this dimension. Thus, the term 'good' in the context of utilitarianism refers to actions which maximises benefits whilst minimising harm and produces the greatest utility.

The proxies for utilitarianism in the MES are as follows:

1. Maximises benefits while minimising harm/Minimises benefits while maximising harm
2. Produces the greatest utility/Produce the least utility

(Reidenbach & Robin, 1990)

A summary of the above ethical theorems is provided in Table 1 below. *Table 1* presents a summary of the ethical theorems that underpin the MES in the context of this report.

Table 1

Summary of ethical theorems

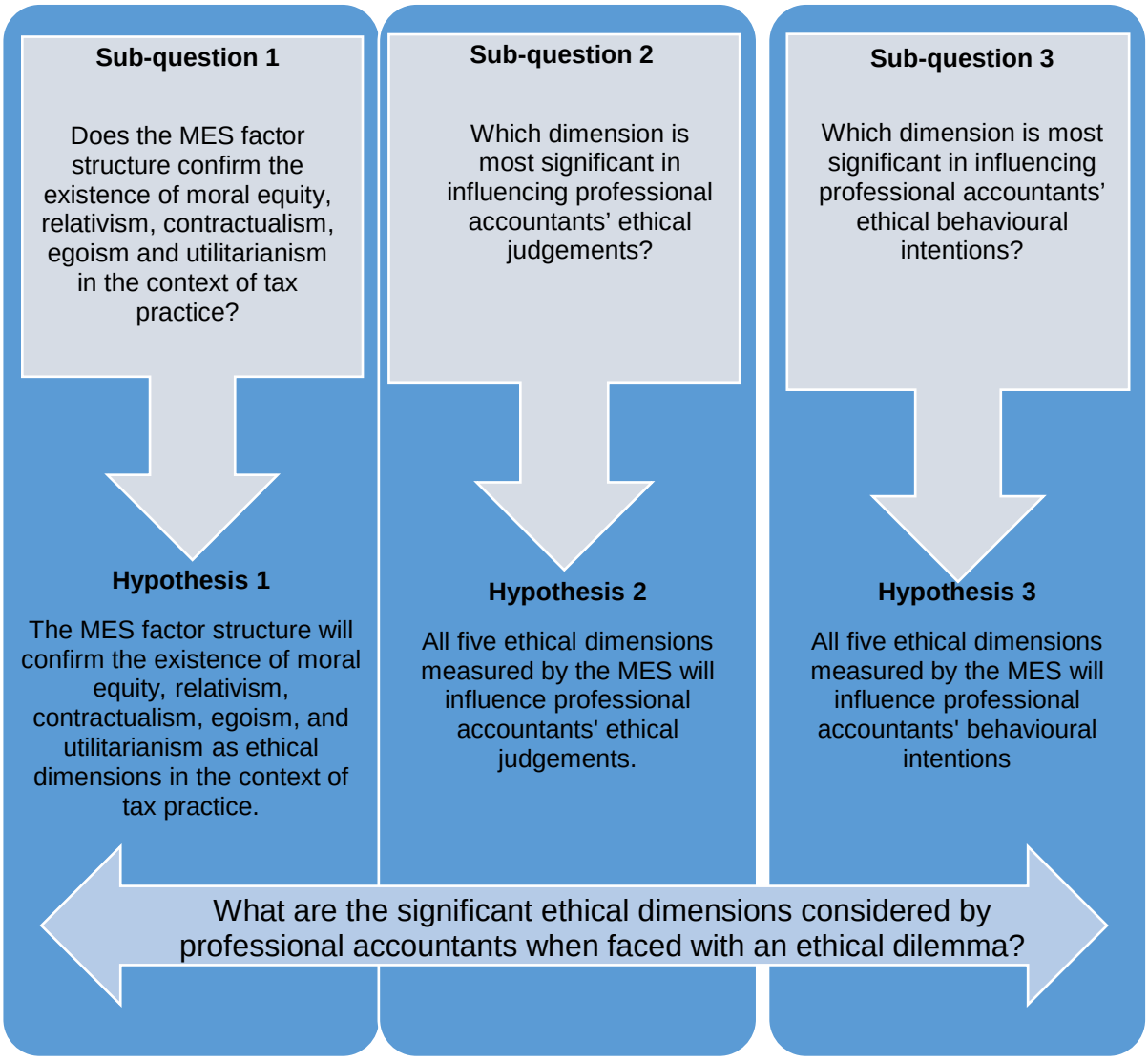
Ethical dimension	Explanation
1. Moral equity	This is based on overall fairness and justice. An action will be viewed as ethical if it is fair and just to the subject. This will be based on what that particular individual has grown up to believe is fair and just. The concept of moral equity is broad and is evident in many parts of the tax legislation in South Africa. These aspects include concepts such as having a sliding tax scale where people who earn higher levels of income, contribute more towards tax. This encompasses the elements of justice and fairness in terms of moral equity
2. Contractualism	An action will be viewed as ethical if it is based on a contractual relationship. In the context of this study the unwritten contract that a professional accountant must act in public interest will be used as a measure on whether their conduct is ethical.
3. Relativism	This is a moral theory which is based on the cultural norms of society. In the context of this study, if South Africans prefer aggressive reporting, any action which represents an aggressive tax position will be viewed as ethical.

4. Egoism	This is another moral theory that states individual's actions are ethical if they promote their long-terms self-interests. To contextualise this to this study, it would mean if a professional accountant who is a tax advisor, advises his clients aggressively, this could be ethical as it could mean that he would solely do so to retain clients in the long run.
5. Utilitarianism	An action will be considered good if it results in happiness for the majority of the people that are affected by the action. This was a concept that originated from utilitarian moral theory, which stated that actions are ethical if they contribute towards the ultimate goal of human being's which is happiness.

(Cruz et al., 2000; Hume, 2010; Mill, 1863; Regis Jr, 1980; Reidenbach & Robin, 1990; Scanlon, 1982)

As stated in Section 1 and depicted in Figure 1, each research question is linked to a particular hypothesis. The literature that was reviewed was used to formulate the hypotheses. Figure 1 is therefore a summary and sets out each research question and the hypothesis that was used to provide evidence to answer each particular sub-question.

Figure 3. Duplication of figure 1



2.10 Chapter summary

The literature review provided insight into various aspects within the existing body of knowledge as it pertains to the research problem. This was shown through defining ethics in the context of this study and explaining the importance of ethical decision-making in the accounting profession. In addition, the role that codes of professional conduct play in guiding professional accountants act in service of public interest was discussed.

The literature on the MES and the ethical theorems underpinning the scale that was reviewed, was also used to inform the development of the research questionnaire and the instrument. Furthermore, the definitions of ethical judgment and behavioural

intentions were explored in the context of the MES to provide an understanding of the results of the questionnaire.

Lastly, the literature review provided a methodical basis for the formulation of hypotheses. This was discussed through the five ethical dimensions explained above which were used to derive the hypotheses for this research report (Cruz et al., 2000). Each of the research sub-questions in Section 1 had an hypothesis that was used to provide evidence to answer the particular question. The statistical methods which were used to test each of the hypotheses will be explained in Chapter 3 which is dedicated to the methodology of this study.

CHAPTER 3: METHODOLOGY

3.1 Introduction

As stated in Chapter 1, the overall purpose of this study is to explore ethical decision-making of professional accountants by identifying their significant considerations when faced with an ethical dilemma.

This chapter outlines the research methodology employed to achieve the research objectives of this study.

Methodology is the overall approach followed to answer the research question and is influenced by the theoretical paradigm (Mackenzie & Knipe, 2006) and consists of different aspects. In Section 3.2 the research paradigm which underpins this study is discussed followed by a presentation of the overall research design (Section 3.3). The population and sample size used for the study is discussed in Section 3.4. In Section 3.5 the processes followed for data collection are outlined. Section 3.6 and 3.7 are respectively dedicated to a discussion of the instrumentation and the MES. This is followed by an outline of the questionnaire design (Section 3.8). Section 3.9 is focused on a discussion of the statistical methods used for the data analysis and interpretation. This chapter is concluded with an evaluation of the study in terms of validity and reliability.

3.2 Research paradigm

Guba (1990) states that paradigms represent a basic set of beliefs that guide actions. These set of beliefs can also be seen as a worldview which arises from past research experience. The type of belief that researchers hold, influences their approach to research which has a direct influence on their chosen research methods in terms of following a qualitative, quantitative or mixed method approach (Creswell & Creswell, 2017). The four debated worldviews are positivist, constructivist, transformative and pragmatic.

The positivist approach is also sometimes referred to as the scientific method which aims to uncover the undeniable truth based on statistical scientific methods (Ormrod & Leedy, 2005). Positivist research often starts with a theory which can be tested through gathering observations that can be quantified and then analysed (Creswell

& Creswell, 2017). A quantitative approach would therefore be associated with positivist research (Creswell & Creswell, 2017).

This research was designed from a positivist perspective. The basis of this approach assumes that the observations in the world are measurable (Creswell & Creswell, 2017; Ormrod & Leedy, 2005). In line with the positivist worldview, this research followed a quantitative approach, which was housed by the positivist worldview. This worldview was appropriate as the data obtained was numerical data which was used for statistical analysis.

The positivist framework and the approach followed in this study are most suitable to address the research questions as the research questions demand the collection of measurable data and hypothesis testing (Creswell & Clark, 2017) in order to be answered. This allows for the researcher to reject or fail to reject the different hypotheses. This approach is also justified as other contemporary accountancy research studies had similar embedded approaches such as Phala, Yasseen, Padia, and Mohamed (2018); Surty, Yasseen, and Padia (2018); Yasseen, Moola-Yasseen, and Padia (2017).

3.3 Research design

The study employed a quantitative method as it involves questionnaire/survey type research which provides a numeric description of the ethical decision-making of professional accountants (Creswell & Clark, 2007). Creswell and Creswell (2017) stated that key components of quantitative research involve pre-determined, instrument-based questions, which make use of statistical analysis and interpretation. This study follows an approach which incorporates each of these elements as the questionnaire used in this study was based on the multi-dimensional ethics scale which was analysed through the use of statistical methods (Cruz et al., 2000). Furthermore, this study follows a positivist approach which aims to objectively uncover the undeniable truth based on statistical scientific methods. In contrast, key components of qualitative methods involve open-ended questions, interviews or observational data which incorporate themes and patterns. This type of approach was not chosen as the questionnaire used incorporated close-ended questions. Lastly, the study was exploratory and therefore existing patterns and themes were not available.

This method selected was the most appropriate way to address the research questions and draw conclusions from the data collected (Ormrod & Leedy, 2005). This method was appropriate as it allowed the researcher to gather the necessary primary data by means of a questionnaire to answer the research questions through the use of descriptive statistics such as mode, mean and median and inferential statistics (Ormrod & Leedy, 2005). The formulated research questions revolve around two areas namely, what are the significant ethical dimensions in professional accountants' ethical decision-making and are professional accountants' ethical decision-making influenced by demographic characteristics such as gender, rank and qualification.

Other methods such as face-to-face and telephonic interviews for this type of research were considered. However questionnaire type of research was selected as the value within this method lies in the ability to allow the researcher to obtain numerical data (Creswell & Creswell, 2017). This is vital for the purpose of this study as numerical data was required to answer the research questions. Furthermore, due to the limited resources and time sensitivity of this study, the alternative methods above were not selected.

Lastly, the inclusion of open-ended questions were considered by the researcher and were not selected as this would have been time consuming for the participants and not appropriate for the formal conferences where the questionnaire was distributed since a time constraint existed (Creswell & Creswell, 2017; Ormrod & Leedy, 2005). Generally the response rate for questionnaires are low, thus the use of a close-ended questionnaire were selected to mitigate the risk of obtaining a limited amount of data which would not have been sufficient for statistical purposes (Cohen et al., 1993; Cruz et al., 2000; Reidenbach & Robin, 1990). This approach has been followed successfully in other accountancy studies such as Papageorgiou, Padia and Yasseen (2013) and Papageorgiou, Yasseen and Padia (2012).

3.4 Population and sample size

In this section an overview of the population and sample size of the research is provided. In Section 3.4.1 the population is discussed, followed by a discussion of the sample size in Section 3.4.2.

3.4.1 Population

The population consisted of individuals who were registered with local professional accountancy bodies such as SAICA and SAIPA. Both these professional bodies are local PAOs that are full members of IFAC. These professional bodies were appropriate for the sample as their members are both familiar with the tax jurisdiction and have a license to practice in South Africa. All members registered with these organisations also hold a professional designation such as the CA (SA) or PA (SA) respectively, which distinguishes them as well-trained individuals within their field.

3.4.2 Sample size

Sampling can be divided into two broad categories; non-probability and probability samples (Ormrod & Leedy, 2005). Probability sampling involves a method in which every unit of the population has an equal chance of being selected (Hair, Anderson, Tatham, & William, 2010; Ormrod & Leedy, 2005; Punch, 2014). In contrast, non-probability sampling is a method where some units in the population have no chance of being selected and the probability of selection cannot accurately be determined (Ormrod & Leedy, 2005).

Cooper and Schindler (2014) state that statistical theory requires probability-sampling techniques to create accurate statistical inferences of a larger population. Whilst acknowledging this as a limitation of the research report, Punch (2014) stated that social science research have begun to accept non-probability sampling techniques used in making inferences of larger populations due to the increasing practical problem of obtaining access to large configured sampling plans. This practical problem applied to this study, as there was no public list of all the professional accountants registered with each of the PAOs in South Africa. The absence of such a list compounded by the possible cost to obtain that list made it difficult to make use of probability sampling. Compounding this problem was the practicality of obtaining completed responses within the accounting field. The working professional accountant is often subjected to onerous deadlines and work commitments, which would make it difficult to obtain a response from many individuals. Therefore, purposive sampling provided the best alternative.

Professional accountants who attended the Continuing Professional Development (CPD) conferences mentioned below represented an appropriate target population necessary for purposive sampling. Ormrod and Leedy (2005) defined purposive sampling as choosing specific participants who can provide desired perspectives on a topic or issues related to the research question. Sampling was purposive, as the individuals had the required knowledge within the taxation field to adequately deal with the ethical dilemmas posed in the case study. Purposive selection of a relatively small group of professional accountants could have led to sampling bias. However, in this way, data was obtained from knowledgeable participants. This led to forming informed and valid conclusions based on the research questions in Section 1.4.

Hair et al. (2010) state that models, which make use of five or less constructs, require a minimum sample size of 100. The multidimensional ethics scale makes use of 13 proxies, which represent five ethical dimensions/constructs. These dimensions were explained in detail in Section 2. Due to the above, the sample size was 120 respondents.

Lastly, some participants did not complete the questionnaire in its entirety. It was decided that these questionnaires be excluded from the sample size. Therefore, the final sample size was 108 respondents with fully completed questionnaires.

3.5 Data collection method

The research instrument was a questionnaire that was completed during August and September 2018 by professional accountants that are registered members of a PAO in South Africa. The questionnaire was distributed at CPD seminars hosted by local PAO's. These seminars took place in Gauteng which compromised of four regions in Gauteng namely: Jacaranda, Johannesburg, East and West Rand.

The questionnaire was handed out at different formal CPD conferences hosted by PAOs during the year. Instructions on how to complete the questionnaire was provided to participants and were collected on completion. The researcher assured respondents that all responses will be kept anonymous and no personal details will be published in the results of the study.

As a result of the nature of this study centring around the ethics of professional accountants, there was potential for response bias. Response bias has two effects, which should be considered. These involve the effect of the non-respondents and the potential for respondents to provide inaccurate statements (Creswell & Creswell, 2017; Ormrod & Leedy, 2005). Due to ethics being at the centre of this study participants may want to provide favourable responses related to the ethics in the accounting profession (Creswell & Creswell, 2017). The non-response bias element relates to introduced statistical bias from a significant difference in responses from the participants in the population that took part in the questionnaire and those that did not (Ormrod & Leedy, 2005).

The response and non-response bias were mitigated through the questionnaire design by incorporating the following:

- A peer assessment in the questionnaire (Cruz et al., 2000; Ormrod & Leedy, 2005). A peer assessment resulted in professional accountants providing a response based on their confidence in their peers' ethical behaviour. This allowed the researcher to compare the bias responses of the professional accountant to the unbiased views of their peers. In addition, as explained in Chapter 2, the peer assessment was used as surrogate for behavioural intentions of the professional accountants.
- Participants were assured that their responses will not affect their reputation as all data obtained from the questionnaire remained confidential. Furthermore, no personal information such as name, employer or other forms of identification were requested on the questionnaire. This mitigated the risk that they would provide inaccurate responses, which favoured the ethical view of the profession.
- The language used in the questionnaire was clear and straightforward which prevented ambiguity in each question. This mitigated the risk of non-response bias.
- The sample was collected from different seminars that were held in different locations around Gauteng which mitigated the risk of non-response bias as participants in the sample were from a wider geographical location.

3.6 Instrumentation

The researcher issued a close-ended questionnaire (see Appendix B) to collect the quantitative data as explained in Section 3.3. Appendix A provided the questionnaire issued by Cruz et al. (2000). Appendix B is an adaptation of the questionnaire in Appendix A. The questionnaire is a five-point Likert scale for each response and three case studies. The questionnaire was validated by prior research conducted by Cruz et al. (2000). Furthermore, the questionnaire incorporated the use of the multidimensional ethics scale. This scale measured ethical behaviour and has been validated by Cohen et al. (1993).

This paper used case studies that were developed by Cruz et al. (2000) to determine ethical considerations of professional accountants in the United States. These cases were adapted (see Appendix B) to test similar principles that are present within the South African Income Tax Act 58 of 1962 (RSA, 1962; Cruz et al., 2000). The adaptation of these cases was reviewed by two taxation experts - one being a professor in practice and the other Head of Taxation in tertiary education with 18 years of experience.

Each of the five ethical dimensions of the MES discussed in Section 2.9 were incorporated into the questionnaire in the form of a response to each case study (see Appendix A and Appendix B). The five ethical dimensions and their responses were grouped as follows:

Table 2

Summary of proxies

Moral equity	Contractualism	Relativism	Egoism	Utilitarianism
M1- Just M2- Fair M3- Morally right M4- Acceptable to my family	C1- Does not violate an unwritten contract C2- Does not violate an unspoken promise	R1- Culturally acceptable R2- Traditionally acceptable	E1- Not self-promoting for the practitioner E2- Not personally satisfying for the practitioner	U1- Produces the greatest utility U2- Maximises benefits while minimising harm

(Cohen et al., 1993; Cruz et al., 2000; Reidenbach & Robin, 1990)

3.7 Multidimensional ethical scale

The MES provides insights into the rationale, which underpins the ethical behaviour and judgements of people. This scale was developed by Reidenbach and Robin (1990) to measure factors which influence ethical judgement. The scale measures ethical behaviour by using proxies for each ethical dimension. The responses from each question (proxy) on the questionnaire is then quantified by a Likert-type value which is used for statistical analysis. The statistical analysis is multiple regression, which assists in measuring the ethical behaviour and judgement of respondents. Reidenbach and Robin (1990) first identified a 33-item scale which included five ethical dimensions namely; justice, relativism, egoism, utilitarianism and deontology. This scale was applied to different marketing scenarios that measured the ethical behaviour and judgement. Cohen et al. (1993) then modified Reidenbach and Robin's (1990) scale by reducing the proxies to a 12-item scale and applied the scale in an accounting context. They determined that the final five ethical

dimensions to be: moral equity, relativism, egoism, utilitarianism and contractualism (Cohen et al., 1993).

The use of this scale allowed this study to form conclusions on what were the significant rationales involved in ethical decision-making of professional accountants (Cruz et al., 2000; Reidenbach & Robin, 1990). The MES was selected as it allowed the researcher to provide further insight on not only what a respondent believed but also why he believed it (Reidenbach & Robin, 1990). Reidenbach and Robin (1990) stated that measurements of ethical judgements through single item scales with the inclusion of an action statement, proved to be inadequate. Therefore to mitigate this issue, responses were regressed to the MES dimensions (Cruz et al., 2000).

3.8 Questionnaire design

For each case, subjects read the background of the scenario, which described the ethical dilemma. The subjects then were tasked with filling in their respective views on the action statement (Cruz et al., 2000). The subjects stated on the five point scale where the action statement fell on that scale (Cruz et al., 2000). A clear action statement at the end of each case was used to incorporate a closed-ended questionnaire (Cruz et al., 2000; Ormrod & Leedy, 2005).

The action statement was an aggressive tax position in each case study. This was necessary as this approach resulted in all subjects responding to the same stimulus (Cruz et al., 2000). The inclusion of an action statement allowed all questionnaires to be comparable for the statistical analysis (Ormrod & Leedy, 2005). The ethical themes and development of this questionnaire were based on prior research by Cohen et al. (1993); Cruz et al. (2000); Reidenbach and Robin (1990).

Questions in Section 1 of the questionnaire (see Appendix B) assisted in obtaining data necessary demographic information to address research question 2. Additional demographical data was obtained to analyse responses based on other demographical factors such as age.

A five-point Likert scale measured each of the questions in Section 2 and 3 of the questionnaire (see Appendix B). This was used to indicate the significant ethical dimensions present during the professional accountants' ethical decision-making (Cruz et al., 2000). This data was necessary to answer research questions

presented in Section 1.4 of this report as the scores allowed the researcher to use statistical evidence to either accept or reject the various hypotheses.

Each of the questions in Section 2 of the questionnaire incorporated a particular ethical dimension developed by Cruz et al. (2000). This particular section in the questionnaire assisted in addressing research question 1 by allowing the researcher to isolate the significant ethical dimensions in each response based on a Likert rating scale as explained in Section 3.3.1 of this report (Ormrod & Leedy, 2005).

The scale also included an option for a neutral response to accommodate for subjects who felt that there was no ethical dilemma evident in the scenario (Ormrod & Leedy, 2005). The effects of this on the research study has been considered and deemed to be appropriate in the context of this study (Ormrod & Leedy, 2005).

Typically the response rate of questionnaires are low (Ormrod & Leedy, 2005). This factor was mitigated by selecting a captive audience at the formal tax conferences and through explaining the importance of the research.

3.9 Data analysis and interpretation

Before conducting any statistical procedures, the data obtained from the questionnaire was manually aggregated into a Microsoft Excel spreadsheet as a way of organising the data. Each row in the spreadsheet represented a response on the questionnaire. This included columns, which had demographical information such as age, gender, qualification and years of experience. Other columns were populated with responses from each proxy of the ethical dimensions as shown in the table in Section 3.3.1. As explained previously, these ethical dimensions represent the themes/philosophies present during ethical decision-making (Cohen et al., 1993; Cruz et al., 2000; Reidenbach & Robin, 1990). The responses were incorporated using a Likert-style response (See Appendix B) which allowed for the data to be analysed statistically (Cruz et al., 2000).

The responses were recorded from a score ranging from one to five. All scenarios in the three cases contained an ethical dilemma. The action statement in all cases presented an unethical action. Since a score of five represented a strongly disagree response as per the instructions and Likert scale (see Appendix B). A higher response on the Likert scale represented a response that was more consistent with

an ethical dimension. For example, in Section 2 of the questionnaire (See Appendix A) each Column 1 had the word “just” which was a proxy for moral equity (Cohen et al., 1993; Cruz et al., 2000; Reidenbach & Robin, 1990). When a respondent provided five for that row, it meant that the respondent found that the statement was unethical and the response was interpreted as the respondent relating to that particular ethical dimension which evidenced good ethical-decision making (Cruz et al., 2000). Therefore, the conclusion derived was that if a particular dimension did not matter to the respondent, then he would have provided a neutral response as it had no effect on his decision.

The data from the questionnaire was then manually aggregated into a statistical program with the aid of a statistician through making use of a Microsoft Excel spreadsheet. The statistical programme used for the data analysis was R Studio. The Likert-style scores were used to generate frequency tables which allowed for descriptive statistics. The standard deviation and means allowed the researcher to understand the spread of the data (Ormrod & Leedy, 2005).

3.9.1 Research question 1

To address whether other demographical factors such as age, gender and rank had a significant influence on the responses provided in the questionnaire, a multivariate analysis of variance was selected to test the difference between the various demographical groups. The dependent variables selected for this test was the self-reported and peer-intentions present in Section 3 of the questionnaire (see Appendix B). This test was appropriate as there were two dependent variables.

Statistically significant differences in the p-value was then used to draw conclusions on the effects of demographical characteristics on ethical decision-making.

3.9.2 Research question 2

As explained in Chapter 1, this research question consisted of three sub-questions which related to a particular hypothesis that was used to provide evidence to answer the sub-question.

Inferential statistics was used to test the hypothesis identified under each research sub-question. Inferential statistics was selected due to smaller sample sizes as discussed and a larger population. This allowed the researcher to draw inferences about the larger population of professional accountants based on a smaller sample size (Ormrod & Leedy, 2005).

The following statistical tests and processes were used to test the hypotheses represented in Figure 3 of Chapter 2.

3.9.2.1 Hypothesis 1 – The existence of the ethical dimensions and proxies

The null and alternate hypotheses for the existence of the ethical dimensions and proxies are stated below:

H_0- The MES factor structure will not confirm the existence of moral equity, relativism, contractualism, egoism and utilitarianism philosophies in the context of tax practice.

H_1- The MES factor structure will confirm the existence of moral equity, relativism, contractualism, egoism and utilitarianism philosophies in the context of tax practice.

This hypothesis is integral to the entire research report as it tests whether the ethical dimensions identified by prior research are present during ethical decision-making of professional accountants. The ethical dimensions that were identified not to be present during the professional accountants' ethical decision-making, were removed.

To identify which ethical dimensions were present and cause reasonable influence on professional accountants' ethical decision-making, two tests were performed that involved the use of Cronbach's coefficient and factor analysis (Cruz et al., 2000).

3.9.2.1.1 Cronbach alpha

Cronbach (1951) coefficient alpha was used to test the internal reliabilities of each of the ethical dimensions. The Cronbach (1951) coefficient alpha was used to test whether each ethical dimension was an acceptable criterion for ethical

judgements. This test is used to confirm whether the factors identified are present during an ethical decision. Combining this alpha with Nunnally (1978) criterion of 0.7, it was decided that if any ethical dimension had a lower average internal reliability than 0.7, it would be removed.

3.9.2.1.2 Factor analysis

Factor analysis is a statistical approach to measure the internal validity of a measure. It is used when the researcher believes that responses to different questions represent an underlying structure called *factors* (Tabachnick & Fidell, 2007). Table 2 in Section 3.6 represents the various proxies for each ethical dimension which also needed to be tested. Each ethical dimension or philosophy represented the factors. Factor analysis was used to provide evidence that the representations such as" Just" acts as a sufficient proxy for "Moral equity". To provide evidence of this, factor analysis with an orthogonal (varimax) rotation was selected (Cruz et al., 2000). Orthogonal rotation is usually used to test items that are not correlated. Although there is no reason to suggest that the five ethical dimensions are not correlated due to prior research, there is a strong attraction towards orthogonal rotation due to statistical convenience (Cohen et al., 1993). This test then grouped all the proxies, which related to each other based on the outcomes of the statistical test. Factor analysis therefore corroborates the use of the various proxies identified under each ethical dimension.

3.9.2.2 Hypothesis 2 - The relationship between the five ethical philosophies and ethical judgement

The null and alternate hypotheses used to test the relationship between the five ethical philosophies and ethical judgement were as follows:

H_0- All five ethical philosophies measured by the MES will not influence professional accountants' ethical judgements.

H_1- All five ethical philosophies measured by the MES will influence professional accountants' ethical judgements.

It should also be noted that the acceptance of the null hypothesis does not mean that all the ethical dimensions were not significant in influencing ethical-decision

making. Acceptance of the null hypothesis is interpreted as: some of the dimensions influence ethical decision-making, but not all.

To test which ethical dimension is most significant in influencing the ethical judgement of professional accountants, multiple regression was used:

3.9.2.2.1 Multiple regression

Multiple regression is a regression analysis and an extension of bivariate regression as it has multiple independent variables. Multiple regression was used to test this hypothesis through p-values and a F-distribution (Cruz et al., 2000). This test was selected, as there were many independent variables in this hypothesis. The independent variables in this regression were the ethical dimensions, which included moral equity, egoism, contractualism, utilitarianism, and relativism. All ethical dimensions were used as independent variables as hypothesis 1 was accepted. The dependent variable was the ethical decision-making of professional accountants which was Response 3 in Section 3 of the questionnaire (See Appendix B). This statistical method was selected as it provided the researcher with p-values, which provided the necessary statistical evidence to test hypothesis 2. All p-values which were 0.05 or lower were deemed to be significant (Cruz et al., 2000; Tabachnick & Fidell, 2007).

3.9.2.3 Hypothesis 3 - The relationship between the five ethical philosophies and ethical behavioural intentions

The null and alternate hypotheses used to test the relationship between the five ethical philosophies and ethical behavioural intentions were as follows:

H_0- All five ethical philosophies measured by the MES will not influence professional accountants' ethical behavioural intentions.

H_1- All five ethical philosophies measured by the MES will influence professional accountants' ethical behavioural intentions.

To test which ethical dimension had the most significant influence on ethical behavioural intentions of professional accountants multiple regression was selected. This test was similar to the one used for hypothesis 2 as multiple regression was used with the same independent variables. However, the

dependent variables are different as this hypothesis focuses on the behavioural intentions of the professional accountant. This test made use of two multiple regression analyses. Both had the same independent variables and each regression had two different dependent variables which acted as the surrogate for behavioural intentions. Prior research has evidenced that peer behaviour influences the ethical intentions of the ethical decision-maker (McManus & Subramaniam, 2009). Therefore this study used the peer assessment in Section 3 of the questionnaire as a surrogate/proxy for behavioural intentions (Cruz et al., 2000). Therefore the peer assessment and self-assessment formed the dependent variables for each multiple regression performed as they provided two different surrogates for behavioural intentions (Cruz et al., 2000; McManus & Subramaniam, 2009). Lastly, a univariate analysis was performed on both the peer and self-responses and compared to the multivariate analysis. This comparison involved the comparison of the adjusted R^2 in both statistical tests to determine which test proved to show superior explanatory power.

3.10 Validity and reliability

Validity and reliability are key components of research as they indicate whether the approach and instrument used led to meaningful interpretations of the data (Creswell & Creswell, 2017). Validity can be split into two broad categories namely: internal and external validity. This part shall outline the processes used to ensure both validity and reliability in this study.

3.10.1 Internal validity

Cooper and Schindler (2014) stated that internal validity refers to the ability that the measuring instrument measures what it is supposed to measure. To ensure internal validity of the study, a similar approach to prior studies was used. This research approach has been validated in the past by Cruz et al. (2000) whom investigated a similar research question but focused on professional accountants in the United States (Ormrod & Leedy, 2005). Furthermore, the measuring instrument used was the MES. The MES was developed by Reidenbach and Robin (1990) and its measurement ability was validated by Cohen et al. (1993). In addition to the validation of the measurement scale, Cruz et al. (2000) performed further research on ethics of professional accountants in the United States through the use of the

MES. Lastly, a reliable statistician was used whom made use of a validated statistics programme to compile the data. Areas of judgement within the research process have been reviewed by two experienced reviewers. The case studies used were adapted from Cruz et al. (2000) by the researcher and were given to tax experts to confirm the existence of an ethical dilemma within the case that is relevant for this study. Two taxation experts have reviewed the three cases, namely, Mrs Depika Singh and Professor Piet Nel.

3.10.2 External validity

Ormrod and Leedy (2005) defined external validity as the extent to which the results of this research are applicable to other contexts particularly in real life situations. External validity was addressed by the use of real life situations that were present in the case studies. These real-life situations were confirmed by the two taxation experts to be issues that professional accountants face daily. The scale used in the study is known as the multidimensional ethics scale and the seven point questionnaire has been grounded on prior research in this field, validating this study for future research (Cruz et al., 2000; Ormrod & Leedy, 2005). Lastly, external validity was confirmed to relate to other contexts through the use of the MES. This is due to this instrument having the ability to measure ethical judgement and intentions outside the scope of the accounting field. This was confirmed by the creation of the scale by Reidenbach and Robin (1990) whom first tested the scale on various scenarios outside the context of accounting such as sales, automotive and retail scenarios. In addition to this, the MES scale's external validity was confirmed by Cohen et al. (1993) whom then tested the appropriateness of the MES in accounting related scenarios. The results of both these studies provided evidence that the MES was an appropriate measure for ethical behaviour both in accounting and other related contexts.

3.10.3 Reliability

Ormrod and Leedy (2005) define reliability as the extent to which measurement instruments yield consistent information about the characteristics assessed. The characteristics in the context of this research report relate to the ethical dimensions such as moral equity, utilitarianism, egoism, relativism and contractualism. To test whether the proxies used to represent these ethical dimensions, Cronbach's

coefficient alpha was used and compared to prior literature (Cronbach, 1951; Cruz et al., 2000). Lastly, a factor analysis was performed on these proxies to confirm that they accurately represent the underlying ethical dimension. The results from the factor analysis proved to be consistent with the Cruz et al. (2000) study.

Lastly, to ensure that the data was obtained in an ethical manner and to ensure that they provide consistent results, no participant was coerced in participating in the study. This allowed for credible and honest responses. In addition, the confidentiality of the responses from the subjects was also maintained by ensuring no respondent included their name on the questionnaire and due to the researcher only having access to the completed questionnaires collected (Ormrod & Leedy, 2005). The collected questionnaires were then scanned and kept under lock and key for future purposes.

3.11 Chapter summary

In this chapter, the chosen methodology was discussed and justified by providing insight into the approach and arguing why the approach was appropriate to provide answers to the research questions of this study. This was done through discussing the positivist paradigm underpinning this research approach, presenting the research design, outlining the population, sample size, data collection method and instrument used. The role of the MES scale in the creation of the questionnaire design was discussed to allow contextualisation in terms of the interpretation and analysis of the collected data.

The research questions and related sub-questions and hypotheses were again presented and related to the research approach and statistical methods employed. After identifying the causal relationships and stating the hypothesis, the various statistical methods employed were stated below each hypothesis tested. Lastly, this chapter concluded on the steps taken to ensure that the results of this study were valid and reliable. Following on this discussion of the methodology employed, the research results are discussed in Chapter 4.

CHAPTER 4: RESULTS

4.1 Introduction

The previous chapter provided a detailed description of the research design methods and approach implemented to achieve the objectives of this study. The purpose of this chapter is to discuss the statistical analysis of the data collected to ensure that the research questions are answered. To this end, this chapter will be split into three broad sections which outlines the analysis used to answer both research questions. In Section 4.2 a descriptive analysis of the data obtained is provided. This is followed by a discussion of Research Question 1 which dealt with the effects of demographical factors on ethical decision-making (Section 4.3). In Section 4.4 the analysis of Research Question 2 is provided which dealt with the most significant ethical dimensions that affect ethical decision-making. This section consists of sub-sections to clearly identify the different statistical tests and analysis for each hypothesis. Lastly, the chapter is concluded by providing a summary of the results.

4.2 Descriptive analysis

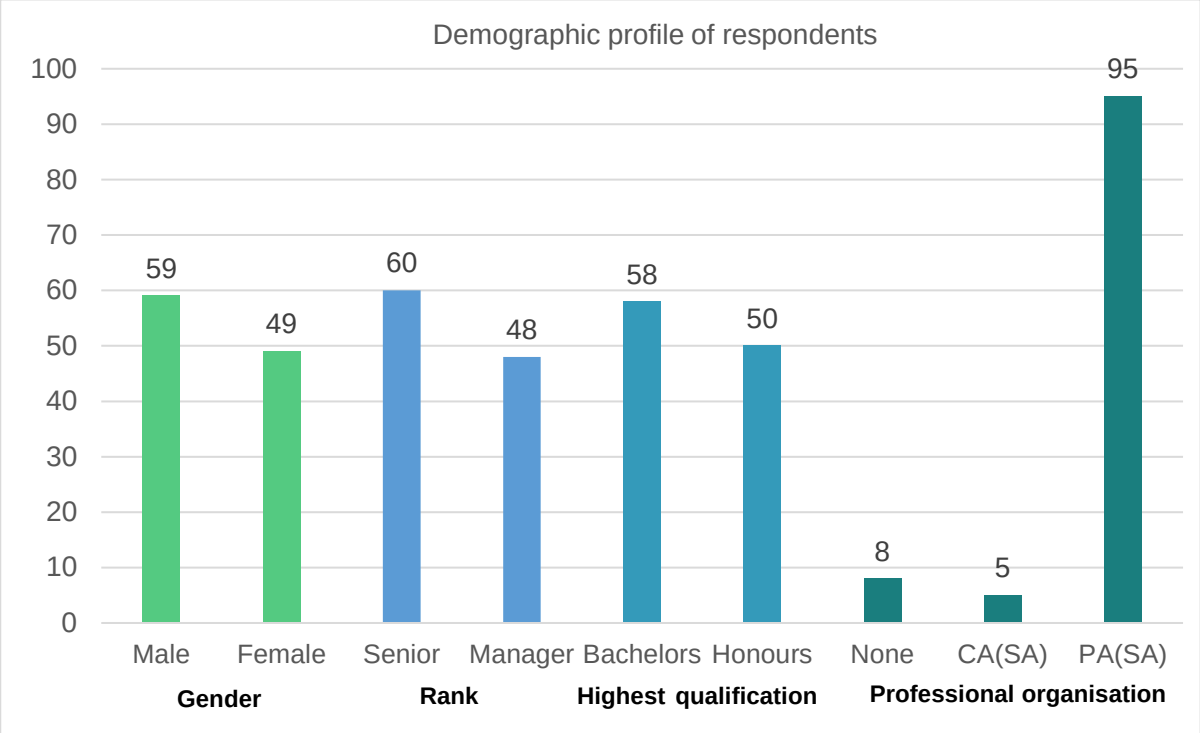
According to Ormrod and Leedy (2005); Punch (2014); Tabachnick and Fidell (2007) descriptive analysis provides an important step when first analysing the data. Performing a descriptive analysis first also allowed the researcher to gain a good understanding of the data and resulted in making informed conclusions on the results of the statistical tests performed.

Diagram 1 indicates the demographical spread of the respondents. The total number of respondents in this study was 108. The spread of the respondents and the number used for this study were significantly different to the Cruz et al. (2000) study. The Cruz et al. (2000) study had 67 respondents who were from two different firms. The number of respondents in this study was significantly different as the sample consisted of 108 respondents. In terms of numbers, this was almost twice the sample size of the Cruz et al. (2000) study. In addition the respondents for this study were random and they were not selected from any particular organisation, company or firm as per the Cruz et al. (2000) study. The gender profile consisted of 59 (55%) males and 49 (45%) females. The respondents are regarded as knowledgeable and educated for the purposes of this study as 50 respondents are in possession of an

Honours degree and 58 have attained a Bachelors' degree. The majority of the respondents are registered with a PAO. 95 (88%) and 5 (5%) are registered members of SAIPA and SAICA respectively. This study may be limited due to a significant number of respondents representing the Professional Accountant South Africa designation affiliated with SAIPA, which may have influenced results. The rest of the respondents were either not registered with a PAO or stated their PAO as none. Lastly, the rank of the respondents contained 60 (56%) senior manager and 48 (44%) manager professional accountants. The above-mentioned demographical spread has been presented graphically in Diagram 1.

Diagram 1

Respondents gender, qualification and professional organisation

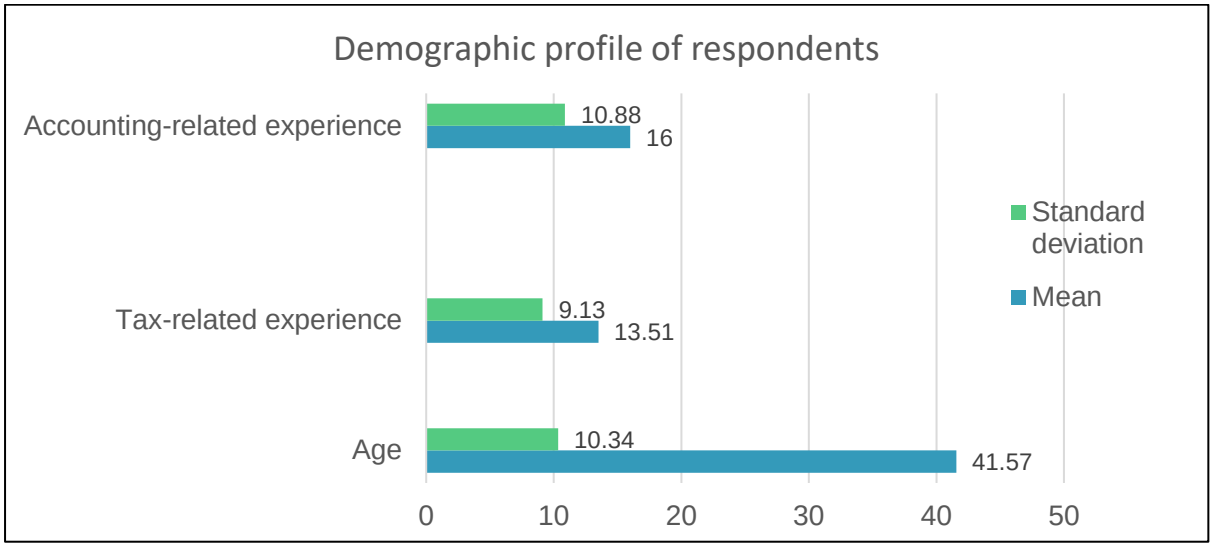


Respondents were asked to provide an indication of their years of experience within an accounting and tax environment along with their age. This was used to further assess whether they possess an appropriate understanding of the content contained in the questionnaire. Age was necessary as ethical considerations may change over time due to the relativism construct as the influences of society impact ethical decision-making.

Diagram 2 presents the standard deviation and mean as 10.88 and 16 respectively for accounting-related experience in years. The standard deviation and mean for tax-related experience in years were slightly lower at 9.13 and 13.51 respectively. This provided further evidence that the respondents possessed the appropriate knowledge to take part in the questionnaire. The average age of the respondents was 41.57 and the standard deviation was 10.34. This shows that respondents could be subjected to changing ethical considerations from a relativism perspective due to the average respondent being in the middle-age group. Therefore, these respondents' ethical considerations could have changed due to their moral development over time.

Diagram 2

Standard deviation of respondents' demographical profile



4.3 Research question one

Research question one focused on whether the responses from each demographical group were significantly different. This research question provided further insight into the effect of demographical factors such as gender, rank and qualification on ethical judgement and behavioural intentions.

To determine whether demographic characteristics influenced ethical decision-making, a multivariate analysis of variance (MANOVA) was performed to compare the ethical judgements (unethical) and behavioural intentions (both self and peer reported intentions) against the demographical characteristics identified above

(Cruz et al., 2000). This test was performed first as it was used to determine whether these factors could influence the outcomes for research question two.

The p-value from the MANOVA test above was used to test if populations were significantly different. Each of the demographic categories were split into two sub-populations as per the responses on the questionnaire (see Appendix B). A significance level of 0.05 was used to determine whether demographic factors such as gender, rank and highest degree influenced ethical responses. These analyses did not identify any statistical differences based on gender (the lowest *p=0.07 for ethical judgements).* There were statistically significant differences in the rank (the lowest p=*0.00 for ethical judgement)* and highest qualification (the lowest *p=0.00 for self-reported intentions)* populations.

This could have occurred due to individuals possessing a greater understanding of the consequences of their decisions due to either their roles as managers or educational background. Through completing an honours degree, respondents could have been exposed to areas beyond the normal syllabus of the undergraduate, which allowed them to consider more factors in their decision-making which influenced their ethical-decision making. This type of outcome is consistent with the relativism paradigm which states that individuals' ethical guidelines are influenced through cultural and societal factors which occur in the later stages of life. Thus, this could explain the differences in the sub-populations of rank and highest qualification because these individuals would have generally had more time to develop their professional skills.

In conclusion, demographical factors such as rank, and qualification do influence ethical judgement and behavioural intentions whereas gender does not. This finding was different to the Cruz et al. (2000) study which found no statistical difference in the demographic variables.

4.4 Research question 2

To address research question two, the researcher broke it down into three sub-research questions. These three sub-research questions were broken down into three hypotheses in order to provide evidence to answer the related sub-research question (See Figure 3).

These three hypotheses were adapted from the Cruz et al. (2000) study and were introduced in Chapter 2 and explained in Chapter 3. In this section the results for each hypothesis test are outlined. Firstly, the results for hypothesis one is presented in Section 4.4.1. This is followed by a discussion of the results for hypothesis two (Section 4.4.2). Lastly, the results for the third hypothesis are provided (Section 4.4.3).

Before evaluating the effect of the ethical dimensions on ethical judgement and behavioural intentions of professional accountants, it was necessary to investigate whether these dimensions are in fact present during ethical decision-making. To this end, the results of hypothesis one will now be provided.

4.4.1 The existence of the ethical dimensions and proxies

Hypothesis one states that the MES factor structure will confirm the existence of moral equity, relativism, contractualism, egoism and utilitarianism ethical dimensions in the context of tax practice.

The combination of Cronbach's alpha and an item analysis assisted with proving that the proxies used (See Table 4) reflected the intended variable. The proxies used in the questionnaire represented each of the ethical dimensions. Therefore, moral equity, contractualism, relativism, egoism and utilitarianism are the intended variables that these proxies were tested against.

Cronbach (1951) alpha was used to measure the scale reliability of the questionnaire. Each of the ethical dimensions identified by Reidenbach and Robin (1990) were used to measure ethical decision-making. Therefore, all the ethical theories should be closely related. Thus Cronbach (1951) alpha provided a test to determine whether each of the ethical dimensions provided a high degree of internal consistency regarding ethical decision-making. Combining this with Nunnally's (1978) criterion it was found that the averages of internal reliabilities across the three cases were 0.97, 0.92, 0.93, 0.89, 0.93 for moral equity, relativism, egoism, utilitarianism and contractualism respectively. As a result of all values exceeding Nunnally's (1978) criterion of 0.7 it was concluded that all ethical dimensions are present during ethical decision-making and provide a high degree of internal consistency.

However, these ethical dimensions were exposed to respondents in the form of different options on the questionnaire (see Appendix B). Therefore, these proxies for the ethical dimensions were tested to determine if they represent the underlying ethical dimension through factor analysis. The results of this item analysis are shown in Table 3 below.

Table 3 provides support for each proxy of the ethical dimensions identified by Reidenbach and Robin (1990). It shows that the relevant proxy clearly represented each of the ethical dimensions as the highest values from the factor analysis have grouped under the corresponding ethical dimension. This confirms the ethical dimension that each proxy should represent.

Table 3

Factor loadings of proxies

CASE A	**Moral equity**	**Contractualism**	**Egoism**	**Relativism**	**Utilitarianism**	**Total**
M1	0.86	0.27	0.09	0.18	0.3	
M2	0.87	0.23	0.12	0.22	0.27	
M3	0.86	0.28	0.14	0.23	0.21	
M4	0.77	0.34	0.2	0.35	0.14	
R1	0.51	0.38	0.13	0.67	0.15	
R2	0.28	0.21	0.18	0.87	0.21	
E1	0.2	0.15	0.93	0.09	-0.02	
E2	0.05	0.06	0.92	0.14	0.25	
U1	0.47	0.24	0.16	0.4	0.63	
U2	0.39	0.31	0.19	0.16	0.79	
C1	0.37	0.81	0.12	0.28	0.26	
C2	0.36	0.85	0.16	0.21	0.2	
Percentage of variation explained	0.35	0.18	0.17	0.16	0.13	0.99

CASE B	Moral equity	Relativism	Egoism	Contractualism	Utilitarianism	Total
M1	0.92	0.13	0.02	0.18	0.16	
M2	0.91	0.19	0.06	0.2	0.22	
M3	0.87	0.27	0.03	0.23	0.21	
M4	0.78	0.4	0.12	0.2	0.23	
R1	0.33	0.85	0.15	0.24	0.2	
R2	0.31	0.83	0.2	0.21	0.24	
E1	0.04	0.17	0.94	0.07	0.14	
E2	0.05	0.08	0.96	0.14	0.04	
U1	0.35	0.26	0.17	0.79	0.28	
U2	0.27	0.22	0.13	0.82	0.35	
C1	0.33	0.25	0.13	0.34	0.78	
C2	0.33	0.26	0.12	0.34	0.78	
Percentage of variation explained	0.33	0.18	0.18	0.16	0.15	1
CASE C	**Moral equity**	**Contractualism**	**Egoism**	**Relativism**	**Utilitarianism**	**Total**
M1	0.9	0.27	0.12	0.19	0.17	
M2	0.89	0.28	0.11	0.18	0.19	
M3	0.87	0.28	0.14	0.27	0.14	
M4	0.78	0.3	0.11	0.37	0.27	
R1	0.46	0.2	0.19	0.81	0.15	
R2	0.25	0.24	0.26	0.84	0.27	
E1	0.13	0.18	0.93	0.18	0.1	
E2	0.1	0.11	0.94	0.14	0.16	
U1	0.34	0.26	0.3	0.36	0.74	
U2	0.41	0.53	0.19	0.24	0.61	
C1	0.4	0.83	0.17	0.2	0.18	
C2	0.37	0.83	0.2	0.22	0.19	

Percentage of variation explained	0.34	0.19	0.19	0.17	0.11	1

Table 4

Legend for proxies of ethical theorems

Moral equity	***Contractualism***	***Relativism***	***Egoism***	***Utilitarianism***
M1- Just M2- Fair M3- Morally right M4- Acceptable to my family	C1- Does not violate an unwritten contract C2- Does not violate an unspoken promise	R1- Culturally acceptable R2- Traditionally acceptable	E1- Not self-promoting for the practitioner E2- Not personally satisfying for the practitioner	U1- Produces the greatest utility U2- Maximises benefits while minimising harm

Therefore due to the Cronbach (1951) coefficient alphas and factor analysis, there is sufficient evidence to reject the null hypothesis in favour of the alternate hypothesis of hypothesis one. This result is consistent with prior studies such as the Cruz et al. (2000) and Cohen et al. (1993) studies.

In addition, the relative importance of each ethical dimension appeared to be consistent in each of the three cases. This was shown by the relative percentage of variation explained in each case. Variation explained refers to the statistical number that provides evidence that the change in the dependent variable is explained by relative independent variable (Tabachnick & Fidell, 2007). Therefore, in the context of this study, higher percentages of variance indicated a model which adequately accounts for the ethical considerations present in ethical decision-making. Across the three cases: moral equity ranged between 33 to 35 percent, relativism ranged between 16 to 18 percent, egoism ranged between 17 to 19 percent, contractualism

ranged between 19 to 19 percent and utilitarianism ranged from 11 to 15 percent. In summary, the total variation explained across three cases provided an explanation by the independent variables of between 99 to 100 percent of the dependent variable. On average the total percentage of variation in the Cruz et al. (2000) study was 85.64 percent which was lower than the average of this study which was 99.33 percent.

Table 5 summarises the means of the ethical dimensions across the three cases. The results of the means indicate the perception of the ethical dilemmas across the three cases. This was interpreted due to the following. Each case's action statement was an unethical action statement. This was explained in chapter 3. A higher response value as per the Likert-type responses indicated that the professional accountant perception of the behaviour was less consistent with the ethical dimension. For example, the first response involved moral equity and whether the action statement was just or unjust. If a respondent stated that the response was a 5 on the questionnaire then that would mean that he felt that the behaviour was unethical and disagrees with the action statement in the case. This was interpreted as the cases which had higher mean responses evidenced a more unethical dilemma. As per the summary of the mean in Table 5. It shows that Case C had the highest number of means for each ethical dimension (3) as shown in column 5 of table 5. This was the scenario evidenced the professional accountant Diane Davis who did not investigate the incorrect deduction of meals and refreshments in Black's tax return. This indicated that the respondents were most unlikely to engage in the activity in Case C as they viewed it as the most unethical scenario of the three.

Table 5

Descriptive statistics for MES dimensions

	CASE A Mean (standard deviation) [Reliability-Cronbach's Co-efficient]	**CASE B** Mean (standard deviation) [Reliability-Cronbach's Co-efficient]]	**CASE C** Mean (standard deviation) [Reliability-Cronbach's Co-efficient]	**Highest mean comparison**
Moral equity	3.60 (1.37) [0.97]	3.61 (1.15) [0.96]	3.73 (1.30) [0.98]	C > A
Contractualism	3.62 (1.29) [0.95]	3.13 (1.23) [0.90]	3.31 (1.34) [0.94]	A > C
Relativism	3.43 (1.31) [0.88]	3.42 (1.18) [0.94]	3.53 (1.30) [0.95]	C > A
Utilitarianism	3.41 (1.19) [0.87]	3.48 (1.12) [0.91]	3.68 (1.12) [0.90]	C > A
Egoism	2.80 (1.41) [0.90]	5.38 (1.81) [0.94]	3.75 (1.18) [0.95]	B > C

4.4.2 The relationship between the five ethical philosophies and ethical judgement

Hypothesis two predicted that all five ethical dimensions measured by the MES will influence professional accountants' ethical judgements. The response of Question 3 in Section 3 of the questionnaire (see Appendix B) was used as a proxy for ethical judgements as this reflected the respondents' view on whether

the action statement was ethical or unethical. This response was selected as it evidenced the professional accountant's ethical judgement.

To test hypothesis two, the professional accountants' ethical judgements were regressed on the MES ethical dimensions. In Table 6 the regression co-efficient for each of the independent variables such as moral equity, contractualism, relativism, egoism and utilitarianism along with the related p-value from the multiple regression analysis are summarised. A higher co-efficient for an independent variable means that a specific dimension has a higher effect on the dependent variable. Therefore, the value of the co-efficient determines whether the independent variable is significant in relation to the dependent variable. In the context of this study, a higher co-efficient for the ethical dimension meant that it was more likely to influence the ethical judgment of the professional accountant.

The results shown in Table 8 indicated an adjusted R^2 ranging from 0.03 (Case B) to 0.08 (Case C). This was a significantly lower adjusted R^2 from the Cruz et al. (2000) study. The nature of the adjusted R^2 is that increased amounts of predictors can influence the adjusted R^2 positively and negatively (Tabachnick & Fidell, 2007). The difference in the adjusted R^2 can be explained by the inclusion of egoism in this study. The Cruz et al. (2000) study removed egoism from the regression analysis due to a low Cronbach alpha. In addition to this, the Cruz et al. (2000) study made use of respondents who were part of only two firms which limited the study's sample size. Thus the adjusted R^2 of the Cruz et al. (2000) study could have been higher due to those factors. Therefore, the lower adjusted R^2 in this study can be explained by the two factors mentioned above as the sample size used in the study was broader and not limited to individual firms and had an additional predictor used in the multiple regression, which was egoism. However, this could also pose a limitation to the results of the study as a lower R^2 indicates a reduced level of predictive power of the dependent variable which was ethical judgement in this hypothesis. Despite this study being limited by the low adjusted R^2, the aim of this study was not to predict ethical behaviour but rather to explore the significant factors which influence ethical decision-making. Therefore, the predictory power of ethical behaviour was not the aim of this study.

Through examining the statistical significance of the regression co-efficients of the MES' ethical dimensions, it was found that the significant ethical dimension differed from case to case. For example, egoism and utilitarianism was statistically significant in case A and B respectively. However, moral equity was found to be the only ethical dimension that was statistically significant across all three cases. Therefore, this result suggests that perceptions of justice, fairness, morality and acceptability to one's family appear to be the major influences on professional accountants' ethical judgements. Therefore, this study provides partial support for hypothesis two in favour of the null hypothesis as there is evidence to suggest that all five ethical dimensions do not affect professional accountants' ethical judgements. The Cruz et al. (2000) study found that moral equity and contractualism primarily influenced ethical judgement with the former dimension providing the greatest influence. This result is therefore consistent with the Cruz et al. (2000) study with moral equity providing the greatest influence on ethical judgement.

Table 6

Multiple regression of ethical judgements on MES dimensions

	CASE A	**CASE B**	**CASE C**
Intercept	3.11[a] (0.00)[b]	3.11 (0.00)	3.42 (0.00)
Moral equity	0.44 (0.02)	0.32 (0.04)	0.36 (0.04)
Contractualism	0.04 (0.82)	-0.12 (0.27)	0.25 (0.22)
Relativism	-0.16 (0.38)	-0.11 (0.52)	-0.25 (0.13)
Egoism	-0.22 (0.05)	-0.19 (0.11)	-0.05 (0.72)
Utilitarianism	-0.26 (0.22)	0.03 (0.87)	-0.53 (0.03)
Model F	2.11	1.76	2.88
[a] Regression co-efficients are represented outside brackets			

All significance levels are one – tailed, with the exception of the intercept. [b] P-values are indicated inside brackets

The results of the multiple regression performed for hypothesis two are summarised in Table 7 below. Due to the above analysis it can be stated that there is not enough evidence to support alternate hypotheses as all ethical dimensions did not significantly influence ethical judgements. Therefore, we fail to reject the null hypothesis. This should, however, not be interpreted as implying that none of the ethical dimensions influence ethical decision making as it is clear from the table below that moral equity, egoism and utilitarianism are contributing towards the considerations of professional accountants when faced with an ethical dilemma.

Table 7

Summary of results for hypothesis 2

	CASE A	**CASE B**	**CASE C**
Moral equity	S	S	S
Contractualism	NS	NS	NS
Relativism	NS	NS	NS
Utilitarianism	NS	NS	S
Egoism	S	NS	NS
S = Significant; NS = Not Significant			

4.4.3 The relationship between the five ethical philosophies and ethical behavioural intentions

Hypothesis three predicted that all five ethical dimensions measured by the MES will influence professional accountants' ethical behavioural intentions. To test hypothesis 3, professional accountants self-reported and perceived peer intentions were regressed on the MES dimensions (Cruz et al., 2000). The responses for both Question 1 and Question 2 in Section 3 of the questionnaire

were used as the surrogates for each multiple regression and the independent variables remained the same.

These results are shown in Table 8. The multiple and univariate adjusted R^2 are substantially higher in the self-reported ethical judgement. This is consistent with the finding in the Cruz et al. (2000) study. This difference could be largely due to the co-efficient in self-reported behavioural intentions having a greater influence on the R^2.

Table 8

Multiple regression of behavioural intentions on MES dimensions

	CASE A		**CASE B**		**CASE C**	
	Peers	**Self**	**Peers**	**Self**	**Peers**	**Self**
Intercept	3.86[a] (0.00)[b]	3.58 (0.00)	3.59 (0.00)	3.53 (0.00)	4.05 (0.00)	4.15 (0.00)
Moral equity	0.24 (0.13)	0.47 (0.00)	0.13 (0.34)	0.13 (0.45)	0.13 (0.39)	0.35 (0.03)
Contractualism	-0.17 (0.27)	0.20 (0.23)	-0.26 (0.01)	-0.12 (0.33)	-0.29 (0.09)	0.20 (0.28)
Relativism	0.09 (0.57)	-0.40 (0.02)	0.20 (0.15)	0.15 (0.41)	0.27 (0.07)	-0.40 (0.01)
Utilitarianism	-0.27 (0.14)	-0.48 (0.02)	0.20 (0.20)	-0.05 (0.82)	-0.24 (0.23)	-0.33 (0.12)
Egoism	-0.25 (0.01)	-0.09 (0.42)	-0.44 (0.00)	0.28 (0.03)	-0.27 (0.01)	-0.25 (0.03)
Model F	2.97	3.87	5.78	1.62	4.16	5.59
p>F	0.02	0.00	0.00	0.16	0.00	0.00
Adjusted R^2 (Multi-variate)	0.08	0.12	0.18	0.03	0.13	0.18
Adjusted R^2 (Univariate)	0.11	0.13	0.11	0.29	0.13	0.34

[a] Regression co-efficients are represented outside brackets

All significance levels are one – tailed, with the exception of the intercept.

[b] P-values are indicated inside brackets

The results are inconsistent with previous studies such as Cohen et al. (1993), Cruz et al. (2000) and Reidenbach and Robin (1990) as there is no ethical dimension that is significant across all three cases. The results show that egoism appears to be the most common ethical dimension- that influenced ethical intentions of professional accountants. Due to peer intentions being used as an additional measure of behavioural intentions, it appears that professional accountants believe their peers act with self-interest and thus are influenced to do the same.

The significance of the hypothesis 3 testing is summarised in Table 9 below and provides support to fail to reject the null hypothesis as all ethical dimensions did not influence ethical behavioural intentions.

Table 8 also shows the differences in adjusted R^2 from the multivariate and univariate. It appeared that both measures showed increased levels of variability. It appears that the univariate measure showed superior levels of explanatory power than the multivariate analysis used by the MES. This study shows contrasting results compared to the Cruz et al. (2000) study in terms of R^2. However, this study also produced significant p-values. Therefore, it can be concluded that the MES scale may need to be adapted to reflect the views of the present day acccountant. The MES does show significant considerations of accountants in terms of moral equity and egoism but may need to incorporate more ethical dimensions due to the repetitive low R^2.

Table 9

Support for hypothesis three

	CASE A		**CASE B**		**CASE C**	
	Peers	**Self**	**Peers**	**Self**	**Peers**	**Self**
Moral equity	NS	S	NS	NS	NS	S
Contractualism	NS	NS	S	NS	NS	NS
Relativism	NS	S	NS	NS	NS	S
Utilitarianism	NS	S	NS	NS	NS	NS
Egoism	S	NS	S	S	S	S
S = Significant; NS = Not significant						

4.5 Chapter summary

In this chapter the results of the research were presented. Firstly, the descriptive analysis of the participants of the study was provided and supplemented by various diagrams indicating the demographical spread of the participants. This was followed by a discussion of the evidence obtained to address both research question one and two. This involved the hypothesis testing for each sub-question and the statistical analysis associated with each hypothesis test. In the following chapter, the conclusions of the study will be provided and areas for future research will be discussed.

CHAPTER 5: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

This chapter is focused on two topics. In Section 5.1 the conclusions of this study are outlined and in Section 5.2 possible areas for future research which can assist in building on the current body of knowledge around ethical decision-making of professional accountants, are presented.

In response to the ethical breaches which have plagued the accounting profession globally, the aim of this research was to respond to the call for an increased focus on the ethical decision-making of professional accountants in South Africa through research.

Ethical decision-making and behaviour is central to the sustainability of the accounting profession. IFAC stated that serving public interest is the hallmark of the accounting profession. Professional accountants have therefore been identified as individuals who should align their decision-making with that which is to the greater benefit of society. This is also referred to as serving public interest. If this theory were to hold true, then it would be reasonable to expect that ethical judgements and behavioural intentions of professional accountants are significantly influenced by concepts such as utilitarianism. However, the research reflected in this report, suggests that the ethical decision-making of professional accountants is influenced by factors such as moral equity and egoism. These concepts relate more to fairness and personal satisfaction respectively.

This study provided various significant results related to ethical decision-making of professional accountants within South Africa. It investigated the considerations and factors that influence both ethical judgement and behavioural intentions.

A previous study by Cruz et al. (2000) found that moral equity and contractualism provided the primary influence on ethical judgement and behavioural intentions. That study confirmed that the greatest influence on ethical judgement and behavioural intentions was moral equity.

This study found that the moral equity dimension was found to have the greatest influence on ethical judgement and this shows that the morality of professional

accountant's action appears to be a key factor of their ethical judgement. Concepts like fairness, justice and acceptability of one's family are key considerations of professional accountants' ethical judgement. Therefore this finding is similar to the previous study by Cruz et al. (2000) regarding ethical judgement.

The professional accountant can be seen as a guardian of public interest in the roles that they perform daily, most particularly in the auditing field (Higgs-Kleyn & Kapelianis, 1999; Waples & Shaub, 1991; Watts & Zimmerman, 1983). However, this research has found that the ethical construct of egoism had a greater influence on ethical behavioural intentions than utilitarianism. This was found to be a significant finding as the ethical behavioural intentions of professional accountants should have the greater good of society at heart, however self-interest appeared to drive their self-reported as well as peer-intentions.

Lastly, it was found that demographical factors such as rank and highest qualification do influence ethical decision-making. This is possibly due to the influence of advanced learning and understanding of consequences of decisions made due to their experience, rank and qualification. It was noteworthy that gender specific populations did not provide significantly different responses. This was particularly relevant as White Jr (1999) suggested that males and females could possess different ethical considerations.

In conclusion this thesis contributed to the body of knowledge around ethical decision-making of professional accountants. To this end, it has the potential to be used as a mechanism for change to respond to the ethical breaches that have plagued the profession. This research has the potential to influence CPD programmes and various PAO syllabuses with the ultimate aim of better equipping the professional accountant with skills of ethical decision-making to serve the public interest.

5.2 Areas for future research

It was identified that the correlation co-efficient such as the adjusted R^2 was very low in the research results. This was not consistent with previous results by Cohen et al. (1993); Cruz et al. (2000); Reidenbach and Robin (1990). This could have been an anomaly and the reasons for this could be investigated. Therefore, it is recommended that future researchers possibly build on increasing the ethical

dimensions of the MES or testing a different sample of accountants in another geographical location. The MES scale could also be used in terms of a case study approach in an isolated company setting by management to identify and address ethical problems within an organisation (Cohen et al., 1993). Prior research shows that audit and tax related scenarios pose the best pathway to test ethical dilemmas for professional accountants. Therefore, the cases used in this report could be adapted or significantly changed to encompass different scenarios such as auditing and not taxation. In addition, the research was exploratory in nature and the underlying reasons for the respondents' choices were not explained. This could therefore be an avenue for future researchers to broaden the body of knowledge on the reasons behind the decision-making of professional accountants in South Africa. Lastly, the demographical factors which influence ethical decision-making could be explored with greater detail by including other factors such as income level, race, ethnicity or religion.

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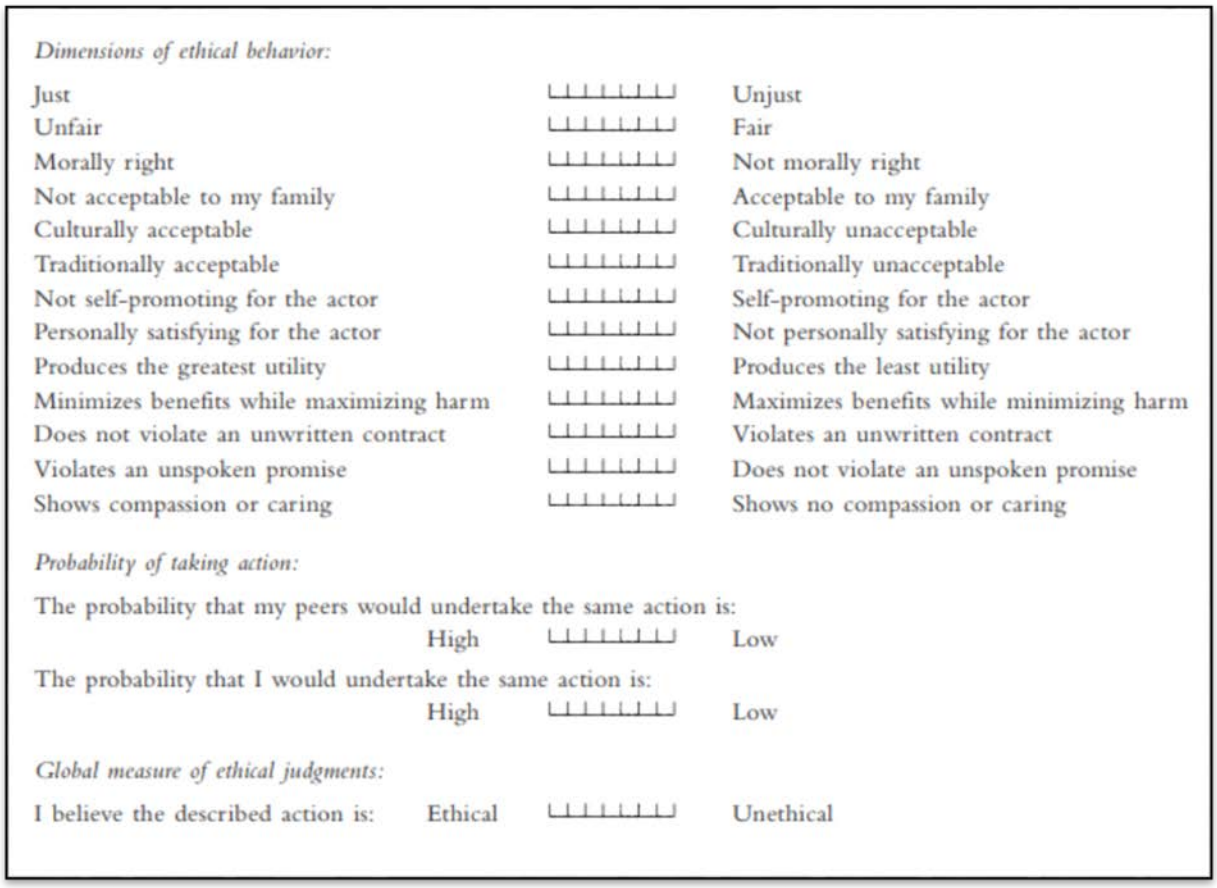
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Appendix A: Questionnaire



Dimensions of ethical behavior:

Just	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Unjust
Unfair	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Fair
Morally right	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Not morally right
Not acceptable to my family	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Acceptable to my family
Culturally acceptable	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Culturally unacceptable
Traditionally acceptable	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Traditionally unacceptable
Not self-promoting for the actor	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Self-promoting for the actor
Personally satisfying for the actor	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Not personally satisfying for the actor
Produces the greatest utility	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Produces the least utility
Minimizes benefits while maximizing harm	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Maximizes benefits while minimizing harm
Does not violate an unwritten contract	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Violates an unwritten contract
Violates an unspoken promise	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Does not violate an unspoken promise
Shows compassion or caring	⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋	Shows no compassion or caring

Probability of taking action:

The probability that my peers would undertake the same action is:

High ⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋ Low

The probability that I would undertake the same action is:

High ⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋ Low

Global measure of ethical judgments:

I believe the described action is: Ethical ⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋⌊⌋ Unethical

(Cruz et al., 2000)

Appendix B: Adapted questionnaire

Ethical clearance number: CACCN/1169

Dear Respondent

My name is Kaveshan Subramanian. I am currently completing my Masters' degree at the University of Witwatersrand. The aim of my research is to investigate the considerations of professional accountants when faced with an ethical dilemma. I believe that you will provide me with invaluable insight that will help gain this understanding of the practical issues that accountants face. The following questionnaire should only take you approximately 10 minutes to complete. Participation is voluntary. No individual is required to reveal his or her identify as the entire process is anonymous. Your responses are strictly confidential, therefore please **do not include** your name anywhere on the questionnaire. I would like to thank you for your participation and co-operation. A summary of key results will be provided to you upon request. Should you require any additional information, please e-mail me on Subramanian.kaveshan28@gmail.com or alternatively contact me on *** *** ****.

Please could you kindly read each case study and action statement. Based on your view please fill in your appropriate response on the questionnaire according to the following guideline:

1. Strongly agree
2. Agree
3. Neutral
4. Disagree
5. Strongly disagree

Yours sincerely

Kaveshan Subramanian

788911

Name of supervisor: Professor Yaeesh Yasseen

Email: Yaeesh.Yasseen@wits.ac.za

Name of supervisor: Mrs. Depika Singh

Email: Depika.singh@wits.ac.za

Please kindly circle or fill in the information below for statistical analysis:

Section 1		
1. Gender	M	F
2. Rank	Senior	Manager
3. Highest degree	Honours' degree	Bachelor's degree
4. Professional qualification		
5. Age		
6. Accounting experience (in years)		
7. Tax-related experience (in years)		

CASE A

Ed Naidoo, a professional accountant who gives tax advice, was hired by Richard Mkhize to represent him in the audit of his 2018 income tax return. Mkhize told Ed that if he did a good job on the audit, he would hire him permanently as his tax accountant.

Ed reviewed Mkhize's financial information and tax return for the 2018 year of assessment and determined that income and expenses appeared to be accurate and substantiated. However, he noted that a disposal event according to the Eighth Schedule of the Income Tax Act had occurred with no gain or loss recognised. The records indicated that Mkhize transferred property with a cost of R60 000 and a market value of R300 000 in exchange for 75% of the shares of a newly formed corporation. One other investor, Paul Pearson, transferred property with a cost of R20 000 and a market value of R40 000 and provided services worth R96 000 for

the remaining 25% of the shares. The prior accountant concluded that the transaction satisfied the capitals gains tax regulations as per the Income Tax Act.

After researching the matter, Ed concluded that Pearson's transfer did not meet the South African Revenue Service (SARS) interpretation of the requirements as per the Eighth Schedule and that Mkhize should have recognised a taxable capital gain of R192 000 as the corporation and Mkhize agreed in writing that Section 42 of the Income Tax Act would not apply.

Ed immediately informed Mkhize of the error in the 2018 tax return as well as the consequences- additional taxes and penalties. He recommended that Mkhize amend the return and inform the SARS during the audit. Mkhize's response was. 'Let's wait and see if the SARS agent finds the error. If he does not find it, I am home free. If he does find it then you and I will deal with it then.'

Action: Ed agrees to wait and see if the SARS agent challenges the treatment of the disposal of property by Mkhize.

Please could you kindly tick the appropriate column for each category based only on the action statement for **CASE A**:

Section 2	**1**	**2**	**3**	**4**	**5**
Just					
Fair					
Morally right					
Acceptable to my family					
Culturally acceptable					
Traditionally acceptable to society					
Not self-promoting for the practitioner					
Not personally satisfying for the practitioner					
Produces the greatest utility[1]					
Maximises benefits while minimising harm					
Does not violate an unwritten contract[2] with law					
Does not violates an unspoken promise[3]					
Shows compassion or caring					

[1] Utility in this context refers to the action statement resulting in happiness for the majority of all affected by a decision in terms of utilitarian moral theory.
[2] In terms of ethical behaviour to society.
[3] This promise refers to people being law-abiding citizens of society.

Section 3						
Probability of taking action:						
1. The probability that my peers would undertake the same action would be?						
	1	**2**	**3**	**4**	**5**	
Low						
2. The probability that I would undertake the same action would be?						
	1	**2**	**3**	**4**	**5**	
Low						
3. I believe the action statement would be?						
	1	**2**	**3**	**4**	**5**	
Ethical						
4. How important is religion to you?						
	1	**2**	**3**	**4**	**5**	
Low						

CASE B

Henry Botha, a professional accountant and tax advisor, obtained a new client. Price (Pty) Ltd, in February 2018. Price (Pty) Ltd was incorporated on 1 January 2003 and is a South African resident company that sells industrial equipment globally. Most of its manufacturing takes place in South Africa.

During the initial meeting with the Chief Finance Officer of Price (Pty) Ltd, Michael Chetty, Botha learned of a tax avoidance scheme that Chetty had devised during 2015. Price has marketing divisions located throughout Europe. Price (Pty) Ltd was and is experiencing losses on all South African operations, while the European divisions are experiencing profits. Chetty decided to increase the transfer price of its main product to the European division in order to decrease foreign profits and avoid paying higher foreign taxes. Since losses on other South African operations would offset the corresponding increase in domestic profits. Price (Pty) Ltd could avoid paying South African taxes as well.

Transfer prices must be at arms-length according to Section 31 of the Income Tax Act, Chetty assured Botha that the scheme had been carefully planned, researched and that it was unlikely that a tax audit would create any difficulties. He also indicated that Price (Pty) Ltd is willing to make full disclosure of the change in transfer prices to the SARS. To reduce the chance that the foreign taxing authorities would question the reasonableness of the increase in prices, Chetty instructed the managers of Price (Pty) Ltd.'s manufacturing divisions to find as many costs as they could that could be legitimately reassigned to the European product lines.

Actions: Botha prepares the tax return based on the clients reported figures, which reflect the increased transfer prices and makes no Section 31[4] adjustment.

[4] Section 31 of the Income Tax Act 58 of 1962 which relates to tax payable in respect of international transactions to be based on arm's length principle.

Please could you kindly tick the appropriate column for each category based only on the action statement for **CASE B**:

Section 2	**1**	**2**	**3**	**4**	**5**
Just					
Fair					
Morally right					
Acceptable to my family					
Culturally acceptable					
Traditionally acceptable to society					
Not self-promoting for the practitioner					
Not personally satisfying for the practitioner					
Produces the greatest utility[5]					
Maximises benefits while minimising harm					
Does not violate an unwritten contract[6] with law					
Does not violates an unspoken promise[7]					
Shows compassion or caring					

[5] Utility in this context refers to the action statement resulting in happiness for the majority of all affected by a decision in terms of utilitarian moral theory.
[6] In terms of ethical behaviour to society.
[7] This promise refers to people being law-abiding citizens of society.

Section 3						
Probability of taking action:						
1. The probability that my peers would undertake the same action would be?						
	1	**2**	**3**	**4**	**5**	
Low						
2. The probability that I would undertake the same action would be?						
	1	**2**	**3**	**4**	**5**	
Low						
3. I believe the action statement would be?						
	1	**2**	**3**	**4**	**5**	
Ethical						
4. How important is religion to you?						
	1	**2**	**3**	**4**	**5**	
Low						

CASE C

Diane Davis, a professional accountant and who gives tax advice, has been preparing the tax returns of Black Ltd (Black) for the past three years. While reviewing Black's financial information for 2018, she noticed a 200% increase in meals and entertainment (from R120 000 to R360 000) without any increase in income.

Diane asked Black's controller, Mandisa Ndlovo, about the accuracy of the information she was given. Ndlovo replied, 'We made more of an effort to entertain potential customers in 2018. 'Diane asked, 'given this additional push for new customers, why has your income remained the same?' Ndlovo replied, 'I guess these potential customers are taking advantage of our generosity but are not buying our products.'

That evening Diane attended a fundraising event. Hank Jacobs, Black's Chief Financial Officer, was seated at the next table, but was unaware of Diane's presence. When Jacobs was buying drinks for personal friends, Diane overheard him say that his company would reimburse him for the expense and deduct it as meals and entertainment.

Action: Diane prepared Black's 2018 tax return without further verification on the nature of the R360 000 deduction for meals and entertainment without the relevant Section 23(g)[8] adjustment.

[8] Section 23(g) of the Income Tax Act 58 of 1962 refers to the prohibition of deductions which were not laid out or expended for the purposes of trade

Please could you kindly tick the appropriate column for each category based only on the action statement **CASE C**:

Section 2	**1**	**2**	**3**	**4**	**5**
Just					
Fair					
Morally right					
Acceptable to my family					
Culturally acceptable					
Traditionally acceptable to society					
Not self-promoting for the practitioner					
Not personally satisfying for the practitioner					
Produces the greatest utility[9]					
Maximises benefits while minimising harm					
Does not violate an unwritten contract[10] with law					
Does not violates an unspoken promise[11]					
Shows compassion or caring					

[9] Utility in this context refers to the action statement resulting in happiness for the majority of all affected by a decision in terms of utilitarian moral theory.
[10] In terms of ethical behaviour to society.
[11] This promise refers to people being law-abiding citizens of society.

Section 3						
Probability of taking action:						
1. The probability that my peers would undertake the same action would be?						
	1	**2**	**3**	**4**	**5**	
Low						
2. The probability that I would undertake the same action would be?						
	1	**2**	**3**	**4**	**5**	
Low						
3. I believe the action statement would be?						
	1	**2**	**3**	**4**	**5**	
Ethical						
4. How important is religion to you?						
	1	**2**	**3**	**4**	**5**	
Low						