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Stowarzyszenie Księgowych w Polsce

THEMATIC SECTION. ETHICAL ISSUES IN ACCOUNTING IN PROSPERITY AND A FINANCIAL CRISIS / SEKCJA TEMATYCZNA. PROBLEMY ETYCZNE W RACHUNKOWOŚCI PODCZAS DOBROBYTU I KRYZYSU FINANSOWEGO

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Impairment of assets – the role of norm reminders in non-compliant accounting decisions. An experimental investigation of gender differences

Wpływ przypomnienia normy na decyzje niezgodne z zasadami rachunkowości w zakresie odpisów aktualizujących. Różnice między kobietami i mężczyznami w badaniu eksperymentalnym

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Abstract

Objective: This article examines the impact of accounting norm reminders on a decision about the impairment of two groups of assets: receivables and inventories. It also investigates the ethical judgment of a non-compliant decision.

Method: The examination is performed via a laboratory experiment.

Results: A non-compliant decision was found to have a significant impact in the groups of males and females. Men's propensity to non-compliance was higher regardless of the group of assets, suggesting that imprecise accounting regulations are perceived as a gateway to

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manipulations. Women's propensity to make a non-compliant decision after recalling a norm was different, depending on the type of asset. The ethical evaluation was affected by gender: women evaluated a non-compliant decision of two groups of assets differently after recalling a norm. The main contribution of the study indicates that accountants may decide the opposite to the norm's intention when the norm is less precise.
Limitations: The study was conducted in one country and among masters' degree accounting students. The number of males was relatively small.
Practical implications: The results should be of interest to behavioral researchers, academic teachers, and Polish standards setters as they continue to develop national accounting standards.
Contribution: We provide evidence that the interaction of norm recall, the type of asset, as well as the gender of the decision-maker impacts non-compliant decisions.
Keywords: discretional accounting decision, financial reporting, norms, compliance, gender.

Streszczenie

Cel: W artykule zbadano wpływ przypomnienia normy rachunkowości na decyzję o odpisie trwałej utraty wartości dla dwóch grup aktywów: należności oraz zapasów. W badaniu opisuje się też etyczną ocenę decyzji niezgodnej z zasadami rachunkowości.
Metodyka: Badanie miało formę eksperymentu laboratoryjnego.
Wyniki: Istotny wpływ przypomnienia normy na decyzję niezgodną z zasadami rachunkowości stwierdzono w grupach kobiet i mężczyzn. Skłonność mężczyzn do decyzji niezgodnej z zasadami rachunkowości była wyższa, niezależnie od grupy aktywów, co sugeruje, że nieprecyzyjne regulacje rachunkowości mogą stanowić czynnik umożliwiający manipulacje. Po przypomnieniu normy, skłonność kobiet do podejmowania decyzji niezgodnej z zasadami była różna w zależności od rodzaju aktywów. Na etyczną ocenę decyzji wpływ miała płeć: kobiety decyzję niezgodną z normą oceniały odmiennie, w zależności od grupy aktywów.
Ograniczenia: Badanie zostało przeprowadzone w jednym kraju i wśród studentów studiów II stopnia na kierunku rachunkowość. Liczba mężczyzn uczestniczących w badaniu była stosunkowo niewielka.
Praktyczne implikacje: Wyniki badania mogą zainteresować naukowców zajmujących się badaniami behawioralnymi, nauczycieli akademickich oraz regulatora tworzącego i udoskonalającego polskie standardy rachunkowości.
Oryginalność: Badanie wskazuje, że interakcja przypomnienia normy i rodzaj aktywów, jak też płeć osoby przygotowującej sprawozdanie finansowe wpływają na decyzję o odstąpieniu od dokonania odpisów aktualizujących.
Słowa kluczowe: dyskrecjonalne decyzje w rachunkowości, sprawozdania finansowe, normy, zgodność, płeć.

Introduction

Accounting professionals must objectively evaluate business operations in order to book them in accordance with the faithful representation principle and to finally disclose aggregated information about the economic phenomena. These professional responsibilities are derived from the theoretical underpinnings of accounting, from the Accounting Act, as well as from the Code of Ethics for Professional Accountants. But current national accounting standards do not always include detailed numerical examples that illustrate what specific facts or circumstances should be taken into account when making a professional judgment about measurement after initial recognition, e.g., depreciation time or amount of impairment. As a consequence, the application details have to be worked out while preparing a financial report by looking to the standards' intent and theoretical foundations (Schipper, 2003).

The above also applies to some decisions about specific classifications that appear when preparing financial reports: to classify as current/non-current, to impair or not to impair an asset, or to stick with numerical information included in the statement of financial position only. Furthermore, the past literature shows that financial reporting is replete with examples of two binary classifications: the official classification described in the accounting standards (at the international or national level) and – at the same time – there is a *de facto* classification, adopted (and preferred) by the preparers of financial reports (Dye, 2002). This classification manipulation results in more entities choosing preferable accounting classifications (even non-compliant ones) than a strict application of standards would warrant.

Such discrete accounting choices are harmful to the faithful representation of financial information (Gao, 2013), preserving information asymmetry that might be difficult for auditors or users of financial reports to detect, even if observable. The past literature also presents a contrary opinion, indicating that those who apply less precise accounting regulations face a greater risk of being perceived to be out of compliance due to the lack of detailed guidance. Thus, under less precise regulations, preparers of financial reports could decide not to select their desired classification (Agoglia et al., 2011), and, as a result, the financial outcome would best fulfill the objective of financial reporting.

The above-described literature raises the question of whether a reminder of the faithful representation principle impacts a decision and decreases the propensity that there will be non-compliant reporting in terms of a decision not to recognize an impairment, although the circumstances call for it. In addition, the application of norms in many areas may be different, leaving space for different interpretations, which in some cases may pose an ethical dilemma.

The purpose of the study is (1) to investigate the propensity to make a non-compliant decision when a reminder of an accounting principle is present (absent) and different types of assets are discussed, and (2) to determine the impact of a norm reminder and the type of asset on the ethical evaluation of non-compliant decisions not to recognize an impairment.

The current research contributes to the existing knowledge in two ways. First, the results show that norm reminder does not always enhance appropriate behavior or reduce the likelihood of misconduct in accounting decisions. The perception of imprecise accounting regulations is affected by gender, as men were more prone to non-compliance in both experimental situations after recalling a norm. Men might perceive imprecise theoretical and legal regulations as a gateway to non-compliance (manipulations). For women, the decision regarding impairments of assets was more complex as it showed the interaction between asset type and norm reminder manipulation. Norm reminder was treated as a gateway to non-compliance only in the oxidized inventories scenario, while in the overdue receivables scenario, it led to a decrease in the propensity to decide not to book asset impairment.

Secondly, research shows that ethical evaluation of the impairment decision is influenced both by asset type and norm reminder. Consequently, as recalling imprecise theoretical and legal regulations may lead to non-compliant accounting decisions, a reminder of imprecise norms may serve as a justification for an accountant's misconduct and diminish the perceived unethicality of this decision. However, this effect was observed only for one type of asset, suggesting that the kind of asset may be an important factor in ethical evaluations.

The paper is organized as follows: the existing accounting and psychological literature related to the effect of norm reminders on non-compliant and ethical decisions is reviewed to present the state of knowledge in the field. Further, the framework of the current study is presented in preparation for the research questions. The empirical part of the paper starts with a description of the experiment design. Next, the results of the study are presented to answer the research questions. Finally, the findings and paths for future research conclude.

1. Literature review

The accounting problem of vagueness is well described in the literature (Penno, 2008), indicating that fact-finding – when booking a certain transaction and then when making decisions about an event disclosure in the financial reports – is not the only crucial element of preparing financial information. Judgments made by preparers of financial reports are no less important because they articulate abstract terms such as "relevance," "control by the entity," or "high/low" level of measurement uncertainty or estimated future cash flows (Conceptual Framework, 2018). Judgments are meaningful, especially when standards are not very specific in wording or direct in requirements, as has already been described in the literature on the example of consolidation (Psaros, Trotman, 2004), liabilities (Botosan et al., 2005), property, plant, and equipment (Cardoso, de Aquino, 2009), and control system design (Maas, van Rinsum, 2015).

The Polish Accounting Act is not very specific regarding impairment of assets, using abstract terms such as "high probability" or "anticipated economic benefits." Further, there are no in-depth accounting rules at hand when searching for precise tips for impairment of inventories. The paragraph about the impairment of receivables also contains relatively few rules, e.g., that receivables from debtors in liquidation, receivables questioned by debtors, or overdue receivables are subject to impairment. Therefore, because in both groups of assets, the regulations neither use stringent language nor are characterized by increased precision, we decided to make these two groups of assets the subject of our study. To the best of our knowledge, receivables and inventories have not yet been the subject of research on the impact of norm reminders on the propensity to misreport impairment of assets. Most research dealing with more precise and less precise norms focuses on comparing rules-based accounting standards with principles-based accounting (Psaros, Trotman, 2004; Agoglia et al., 2011), with auditors as actors in the decision-making process (Kadous, Mercer, 2012; 2016; Greiner et al., 2020). There is also research suggesting that aggressive reporting is not mitigated by more precise standards (Cuccia et al., 1995; Agoglia et al., 2011; Abbasian et al., 2015), while incentives motivate decisions (Chang, Nen-Chen, 2003) and ethical judgments (Smieliauskas et al., 2018).

1.1. Ethics and norms

When investigating ethical judgments and decisions, norms are perceived as one of the most important determinants (Mulder et al., 2015). Norms (written and unwritten) recognized by professionals indicate appropriate behavior and reduce the likelihood of undesirable behavior occurring by highlighting its negative consequences. In relation to the legal sphere, norms are intended to shape social behavior, as well as indicate those ways of behavior or decisions that have been recognized as being in line with society's ethical standards (Cooter, 1998; Cialdini et al., 2006; Feldman, 2009). Research on the impact of norms on ethical decisions focuses on the way these rules are framed, showing that injunctive norms can indeed help people understand why certain behaviors are unethical, and guiding people's behavior in the desired direction (Mulder, Nelissen, 2010) or that specifically-framed rules elicited ethical decisions more strongly than generally-framed rules (Mulder et al., 2015; 2020). Therefore, accountants' decisions are interpreted and analyzed in the light of their individual norms, attitudes, and other psychological factors (Tayler, Bloomfield, 2011; Cardinaels, Yin, 2015; Kelly, Murphy, 2016; Kołodziej, Maruszewska, 2016).

Results on gender as a determinant of ethical decisions are equivocal. Some researchers pointed to the significant role of gender in the adopted ethical attitude (McCabe et al., 2006; Marques, Azevero-Pereira, 2009), while others did not confirm gender differences (Chung et al., 2016; Valentine, Rittenburg, 2007). It can be concluded that studies show that:

- men are more restrictive of ethical issues than women (Hopkins et al., 2008; Marques, Azevedo-Pereira, 2009), and
- women act more ethically (Eweje, Brunton, 2010; Elango et al., 2010).

Research also indicates that, as a factor that shapes ethical decisions, it is not gender itself that matters, but the relationship between gender, and, e.g., previous professional experience or ethical orientation on the basis of which the decision-maker derives his arguments for a specific solution (Eweje et al., 2010; Beekun et al., 2010; Costa et al., 2016). Recent studies in this area criticize the perception of gender as a determinant of ethical behavior unrelated to other factors, pointing primarily to the need to combine them with psychological determinants (Chung-Wen et al., 2016; Nekhili et al., 2021).

1.2. The psychological view of non-compliant decision making

The decision-making process in accounting has also been the subject of psychological analyses. Most research on psychological factors presents financial decisions in a manager–investor context (Majors, 2016), which is based on financial reporting as a communication tool between the two parties. A few studies provide evidence that judgments made by accounting professionals are more dispersed under imprecise standards (Majors, 2016), or they investigate different personality variables, i.e., cognitive, information processing, or knowledge (Cardoso et al., 2014; Mala, Chand, 2015; Young, 2015). Others incorporate the theory of planned behavior (Cyr et al., 2020) or cognitive dissonance (Kim, Bay, 2017), indicating that auditors are willing to agree with a client's preferred accounting method when they anticipate little fallout.

The research also deals with the differences between men and women when a risky decision is to be made, showing that risk-taking is higher among men than women, in different domains, including financial (Powell, Ansic, 1997; Byrnes et al., 1999). According to the experimental analysis conducted by Powell and Ansic (1997), women were found to have a significantly lower preference for risk than men, irrespective of the degree of familiarity with the decision, loss/gain frame, or the cost of the decision. The results also suggested that females and males adopted different strategies in financial decision-making. As males were more risk propensive, they tended to focus on strategies that they thought would achieve the best possible gains.

However, research on the impact of gender on professional decisions in the financial domain showed mixed results. Nadeem et al. (2019) analyzed the assumption that gender-diverse boards are likely to be less competitive in industry because they make less risky decisions. According to their findings, women on boards may reduce firm risk but simultaneously increase profitability, nullifying the stereotypical misconception of women as being risk-averse. Likewise, female CFOs were shown to undertake more ethical but not more risk-averse decisions than male CFOs (Doan, Iskandar-Datta, 2020).

2. The current study

Decisions made by accountants are based primarily on theoretical accounting foundations and legal regulations. However, due to the imprecision of the legal regulations, two or more accounting treatments are offered to entities, which decide whether, when, how and at what amount to disclose information about a certain business operation. On the one hand, the imprecision of legal regulations and the multiplicity of solutions that can be adopted in a given situation enable preparers of financial reports to tailor accounting methods to the needs of their entities. At the same time, less detailed standards may result in non-compliant financial reporting as *there is a lot to disagree about* (Hoogervorst, 2012).

In our study, we aim to answer the following research questions:

1) Does the propensity to make a non-compliant decision differ depending on the type of assets?
2) Does a reminder of an accounting norm change the propensity to make a non-compliant decision?
3) Does the ethical evaluation of a non-compliant decision differ depending on the type of asset?

4) Does a reminder of an accounting norm change the ethical evaluation of a non-compliant decision?

In our study, a norm reminder recalls the faithful representation principle treated as the basis for preparing financial reports. Derived from research on social norms, we suppose that reminding this principle will lead to an increased inclination to choose a decision compliant with the presented foundation.

As stated above, several authors indicate that norms should help reduce the likelihood of undesirable actions by indicating behaviors (decisions) that are recognized as being compliant with the applicable ethical code (Cooter, 1998; Cialdini et al., 2006; Feldman, 2009). With this in mind, we assume that norm reminders will result in stricter ethical evaluations of non-compliant decisions.

The structures of financial reports of entities today suggest that the type of asset subject to the impairment decision may also impact the likelihood of choosing a non-compliant/compliant way of presenting the item. Being classified as current or non-current assets, together with the value of each group of assets, may be a crucial factor when deciding whether to classify an asset as impaired or not. The avoidance of impairment recognition results in a financial results overstatement which may be attractive for the entity and/or its management.

We also aimed to investigate the gender effect regarding the role of the norm reminder and the type of assets, as the research presented above showed mixed results concerning the gender effect on ethical evaluation and risk propensity in accounting.

Based on the questions formulated above, we focus on the role of norm reminders on decisions made within the impairment of receivables and inventories. In particular, the propensity to make non-compliant decisions and the ethical evaluation of a given decision were measured. Thus, in our experiment, we manipulated:

a) asset type: inventories or receivables, and
b) recall of the faithful representation principle described in theoretical foundations and legal regulations; it serves as a norm reminder.

3. Study design

In the current study, a 2 (type of asset: inventories vs. receivables) x 2 (norm: recalled vs. not recalled) independent groups experimental design was used. The study was conducted among masters' degree accounting students at a Polish public university. Second-year students were chosen as they had to pass an advanced financial accounting (including financial reporting) course with a final exam, and other studies cited here also used students (Kadous, Mercer, 2012, 2016; Maas, van Rinsum, 2013; Rennekamp et al., 2015; Mulder et al., 2015, 2020; Majors, 2016; Greiner et al., 2020). Participation in the study was voluntary, with no remuneration.

A total of 112 respondents participated in the study: 90 women and 22 men (M_{age} = 23.01, SD = 0.92) due to the feminization of the accounting profession in Poland. The participants read a scenario about the decision-making process conducted by a chief accountant.

Type of asset. In the first paragraph of the scenarios, material information for the year-end measurement of assets was provided. From the information available, it was evident that the assets under consideration are subject to impairment. In the case of receivables, two issues were raised: a large number of overdue receivables and receiving information orally from customers about their firms' problems with profitability and liquidity. The respondents who read the scenario about inventories were informed that due to the long time that had passed from the purchase date, the employees responsible for the quality of finished products were reluctant to use these inventories, pinpointing that goods stored for a long period might undergo oxidation.

Norm reminding condition. The second paragraph, the faithful representation principle, was present only in scenarios in the norm reminder condition. The respondents were reminded that the chief accountant is responsible for compliance with the provisions of the Accounting Act, in particular, with the faithful representation of the entity's financial situation. In the other condition, the second paragraph was omitted. Accordingly, we did not provide the manipulation check in the scenario.

Decision made by the chief accountant. In both scenarios, in the third paragraph, the chief accountant decided not to book the impairment of assets based on the arguments that the bad financial situation of customers with overdue receivables is not known to other parties or that oxidized inventories have no expiry date. The respondents were informed that the accountant made a non-compliant decision with the theoretical and legal norms of accounting as the information available indicates the impairment of assets.

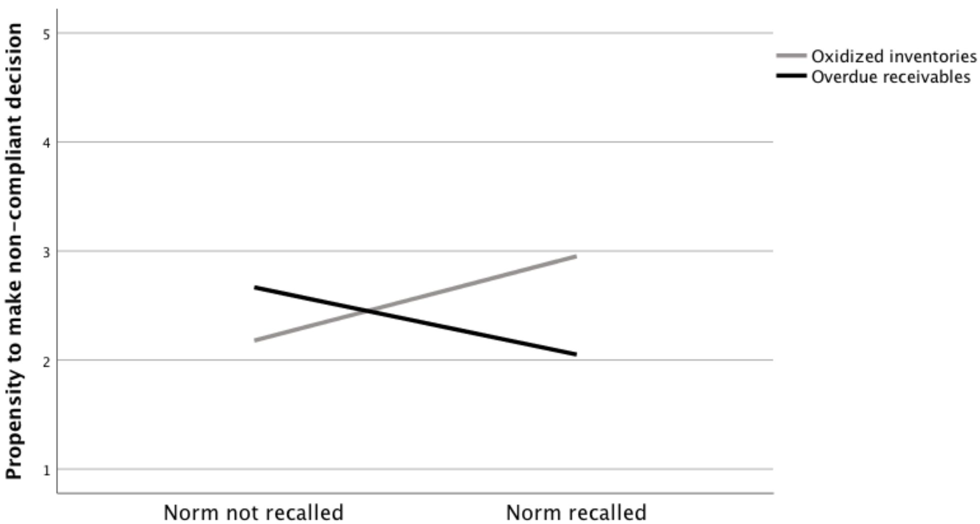
Propensity to make non-compliant decisions. The participants were asked to indicate the extent to which they would make the same decision as the chief accountant described in the scenarios on a 5-point Likert scale from 1 ("I would do the same") to 5 ("I would not do the same"). In the statistical analyses, these data were recoded.

Ethical evaluation of the decision. In the last part of the questionnaire, the respondents were asked to indicate the extent to which they think this decision was ethical on a 5-point Likert scale from 1 ("unethical") to 5 ("ethical").

4. Results

Given the propensity to make non-compliant decisions, a two-way factorial ANOVA was used to determine the effects of type of assets and norm reminder presence/absence. The two-way factorial ANOVA showed that the model was non-significant in the whole group, $F(3,112) = 1.93$, $p = 0.129$. Subsequently, we conducted a two-way factorial ANOVA separately for women and men. The analysis for the women revealed a non-significant main effect of the type of asset, $F(1,90) = 0.55$, $p = 0.461$, and a non-significant main effect of norm recall manipulation, $F(1,90) = 0.08$, $p = 0.779$. There was a significant interaction between type of asset and norm recall, $F(1,90) = 6.18$, $p = 0.015$, $\eta p2 = 0.07$. In the oxidized inventories scenario, a simple effects t-test revealed a statistically significant trend regarding the propensity to make non-compliant decisions between the groups of women, $t(47) = -1.86$, $p = 0.068$. The women who were reminded about the norm were more likely to make a non-compliant decision ($M = 2.95$, $SD = 1.43$) than the women who were not reminded about it ($M = 2.18$, $SD = 1.44$). In the overdue receivables scenario, a simple effects t-test revealed a statistically significant trend regarding the propensity to make a non-compliant decision between the groups of women, $t(39) = 1.72$, $p = 0.094$: norm reminder decreased the propensity to make a non-compliant decision ($M = 2.05$, $SD = 1.05$) than in the group where the norm was not reminded ($M = 2.67$, $SD = 1.24$). The observed direction of the difference in the propensity to make a non-compliant decision between the oxidized inventories groups in the scenario of recalling vs. not recalling the norm was opposite to that observed for the overdue receivables groups (Figure 1).

Figure 1. Propensity to make a non-compliant decision – women's group.

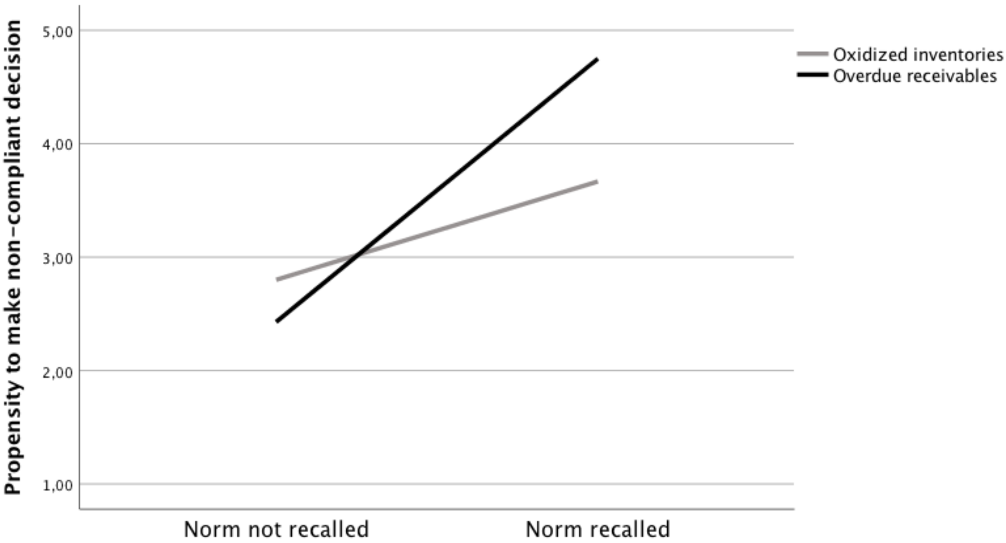


Source: own elaboration.

An analogical two-way factorial ANOVA conducted for men revealed a non-significant main effect of the type of assets, $F(1,22) = 0.49$, $p = 0.494$, but a significant main effect of norm recall manipulation, $F(1,22) = 9.73$, $p = 0.006$, $\eta p2 = 0.35$. The men were more likely to make a non-compliant decision when the norm was reminded ($M = 4.10$, $SD = 1.20$) than the men who were not reminded about it

(M = 2.58, SD = 1.16) in both situations, t(20) = –3.00, p = 0.007. The interaction between type of assets and norm recall was non-significant, F(1,22) = 2.04, p = 0.170. In contrast to the groups of women, the observed direction of the difference in the propensity to make a non-compliant decision between the oxidized inventories groups in the scenario of reminding vs. not reminding norm was the same as that observed for the overdue receivables groups (Figure 2).

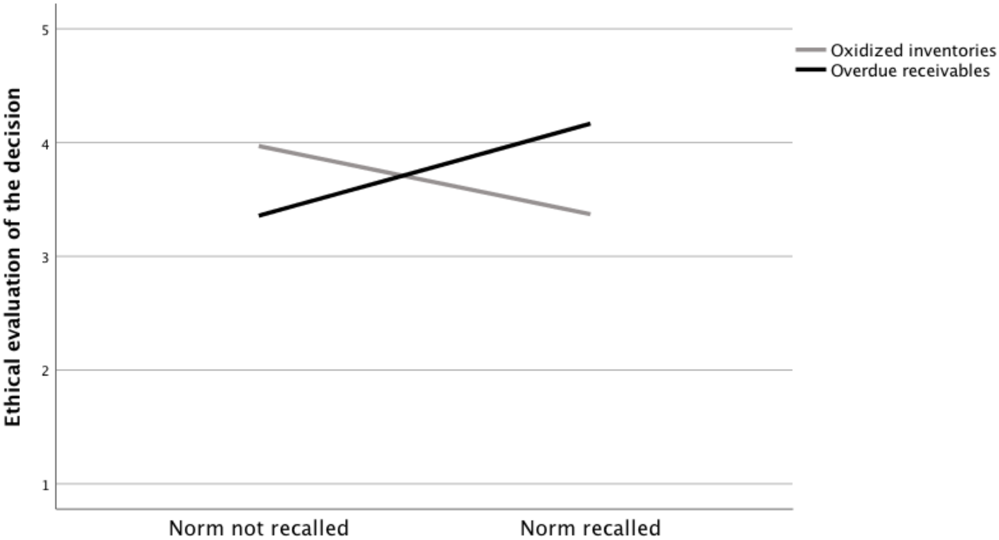
Figure 2. Propensity to make a non-compliant decision – men's groups.



Source: own elaboration.

With regard to the ethical evaluation of the decision, a two-way factorial ANOVA was used to determine the effects of type of asset and norm reminder manipulation. The analysis conducted for the whole group of respondents revealed a non-significant main effect of the type of asset, F(1,112) = 0.18, p = 0.676, and a non-significant main effect of norm recall manipulation, F(1,112) = 0.23, p = 0.632. There was a significant interaction between type of asset and norm recall, F(1,112) = 10.36, p = 0.002, ηp2 = 0.09. When the oxidized inventories were the discussed asset, a simple effects t-test revealed a significant difference in the ethical evaluation of the decision between the groups, t(58) = 1.98, p = 0.053. The participants who were reminded about the faithful representation principle were more likely to think the decision taken by the chief accountant was unethical (M = 3.37, SD = 1.08) than those who were not reminded about the norm (M = 3.97, SD = 1.24). When overdue receivables were discussed, a simple effects t-test revealed a significant difference in the ethical evaluation of the decision between the groups, t(50) = –2.58, p = 0.013: norm recall led to this decision being evaluated as more ethical (M = 4.17, SD = 1.17) than in the group that was not reminded about the accounting principle (M = 3.36, SD = 1.10). Interestingly, it is clear from Figure 3 that the observed direction of the difference in the ethical evaluation of the decision between the oxidized inventories as an impaired asset when recalling vs. not recalling norm was opposite to that observed for the overdue receivables groups.

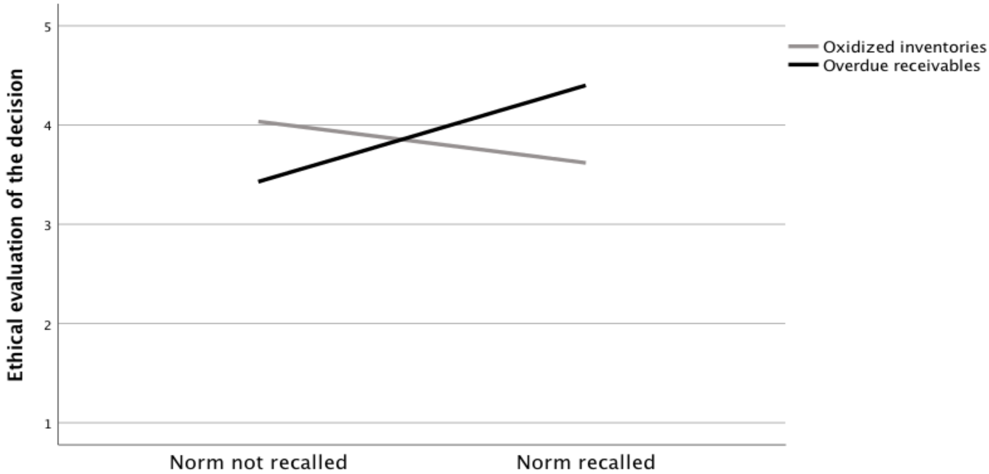
Figure 3. Ethical evaluation of the non-compliant decision.



Source: own elaboration.

In the next step of the analysis, we conduct the above two-way factorial ANOVA regarding the ethical evaluation of the decision separately for women and men. In the group of women, the analysis revealed a non-significant main effect of the type of asset, F(1,90) = 0.13, p = 0.716, and a non-significant main effect of norm recall manipulation, F(1,90) = 1.36, p = 0.247. There was a significant interaction between type of assets and norm recall, F(1,90) = 8.49, p = 0.005, ηp2 = 0.09. In the scenario when the oxidized inventories were discussed, a simple effects t-test did not reveal a significant difference in the ethical evaluation of the decision between the women's groups, t(37) = 1.28, p = 0.207. When overdue receivables were discussed, a simple effects t-test revealed a significant difference in the ethical evaluation of the decision between the groups of women, t(39) = –2.80, p = 0.008: recalling norms led to this decision being evaluated as more ethical (M = 4.40, SD = 1.09) than in the group where the norm was not recalled (M = 3.43, SD = 1.12). Likewise, the observed direction of the difference in the ethical evaluation of the decision between the oxidized inventories in the scenario of recalling vs. not recalling the norm was opposite to that observed for the overdue receivables group (Figure 4).

Figure 4. Ethical evaluation of the non-compliant decision – women's group.



Source: own elaboration.

A two-way factorial ANOVA conducted for the men showed that the model was non-significant in this group, $F(3,22) = 0.95$, $p = 0.439$. However, due to the relatively small size of this group, the interpretation of this result should take into account this limitation.

5. Concluding discussion

In the current study, we focus on the role of norm reminder (in the form of faithful representation principle) on the decision made about the impairment of receivables and inventories. The variables adopted in the study related to the propensity to make non-compliant decisions and the ethical evaluation of a given decision. In the scenarios, we manipulated (1) the type of asset, i.e., inventories and receivables, and (2) the reminder of the imprecision of the theoretical foundations and legal regulations of accounting that oblige the faithful representation of economic phenomena. Additionally, we investigated the gender effect regarding the role of norm reminder about the year-end measurement of receivables and inventories.

The statistical analyses showed that the propensity to make a non-compliant decision was not influenced by the type of asset nor the presence/absence of the norm reminder for the whole group of respondents. However, within the group of women, we observed significant interaction between asset type and norm recall, indicating the combined effect of both manipulations. In the oxidized inventories scenario, the women who were reminded about the norm were more likely to make a non-compliant decision, while in the overdue receivables scenario, norm reminder led to the decreased propensity to decide not to book asset impairment based on the arguments that the customer's bad financial situation with overdue receivables is not known to other parties. Interestingly, for the men, we obtained a significant main effect only of norm recall, showing the higher propensity to make a non-compliant decision among participants who were reminded about the norm, regardless of the type of asset.

These puzzling results bring to mind that – on the one hand – the decision-making process on impairment manipulations is a complex but also important issue. On the other hand, further research on other determinants is needed as the propensity to make non-compliant decisions exists (despite manipulations), and past research shows that auditors tolerate some misreporting when they anticipate little fallout from this decision (Cyr et al., 2020). Accounting outcomes manipulated by the preparer of financial reports and then accepted by the auditor will not be of high quality, increasing information asymmetry on the capital markets.

Further, the results show that both gender groups were more likely not to book an impairment of assets after a norm reminder in the case of oxidized inventories, and men were also inclined to make such a decision on overdue receivables. As stated above, manipulation in the scenario was based on reminding participants about the general theoretical and legal principle, i.e., the faithful representation of economic phenomena. According to the literature, general-framed rules have a lower impact on ethical decisions than specific-framed rules (Mulder et al., 2015; 2020). However, in our study, being reminded of the general norm not only did not have a positive impact on the ethical evaluation of the accounting decision, but it made the subjects more inclined to choose a decision inconsistent with the standards. It advocates that a framework should be incorporated, as described in the audit literature (Greiner et al., 2015; Backof et al., 2016; van Rinsum et al., 2018), which may be a solution to help accountants develop details in the application process and make proper decisions in binary situations, e.g., to impair or not to impair an asset. As the experiment was conducted among future accountants, the study shows the importance of the education process due to discrete choices available in accounting decisions. Imprecise accounting principles require more attention, not only in terms of algebraic issues resulting in the proper mathematical calculation of impairment losses, but most importantly, the ethical awareness of faithful representation, which cannot be expressed by mathematical formulas.

The above results also suggest that imprecise accounting standards are not the only determinants of non-compliant decisions. This is consistent with other studies, which indicate that the perception of imprecise accounting standards is affected by many factors, e.g., culture, accounting tradition, or the accountant's personal objectives (Heidhunes et al., 2009). We add the gender factor by showing that men are more inclined to non-compliance, which is consistent with other research investigating decision-making in finance (Plieger et al., 2020). The results suggest that men perceive imprecise theoretical and legal regulations as a gateway to non-compliance (manipulations) as no detailed and definitive framework provides facts or circumstances present in the scenarios. This suggestion is in contrast to Agoglia et al. (2011), who conjectured that preparers who apply less precise standards should choose less aggressive decisions, as the likelihood to be perceived as non-compliant is bigger.

The participants were also asked to evaluate how ethical the decision was. According to the results, a significant effect between the type of asset and norm reminder for the whole group as well as for the female respondents was revealed. In the oxidized inventories scenario, the decision described in the scenario was evaluated as less ethical after being reminded of the norm, while in the overdue receivables condition, it was seen as more ethical when the norm reminder was present. As can be observed from the above figures, after the norm reminder, the direction of changes in the propensity to make a non-compliant decision and the ethical evaluation of this decision for both asset types was the opposite. In this light, the measured ethical evaluation of the chief accountant's decision can be interpreted in line with cognitive dissonance theory (Festinger, 1957). Cognitive dissonance theory stresses people's desire to reduce inconsistencies created by acting in ways that contradict their beliefs. In the current study, the observed dissonance has an ethical dimension, resulting from the experienced conflict between "right" and "wrong" behaviors (Barkan et al., 2012). Lowering the perceived unethicality of a decision previously favored by the respondents was aimed at maintaining good self-esteem despite making a decision inconsistent with accounting foundations (Ariely, 2012).

To sum up, this study shows the complexity of decision-making related to the preparation of financial reports. It suggests that the application of imprecise norms does not always take place exclusively based on premises consistent with the regulator's intention. Thus, it is suggested to the regulator that a more detailed law is needed in the scope of impairment of assets, especially taking into account the conclusion from the study that different types of assets are treated differently in impairment decisions. In addition, norm reminder – in the case of men – indicated behavior that uses imprecision to manipulate year-end measurement instead of using it to tailor the accounting methods to the specifics of the entity. Also, the ethical perception of a non-compliant decision demonstrates the need for further research in this area. Thus, we call for in-depth research that concentrates on the perception of norms among accounting professionals.

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