Zeszyty Teoretyczne Rachunkowości
Nr 107 (163), 2020, s. 159–182
http://dx.doi.org/10.5604/01.3001.0014.2468
Stowarzyszenie Księgowych w Polsce

The effect of agency relationships and individual ethical ideology on decision duplication with regard to questionable accounting policy choice. An experimental study

EWA WANDA MARUSZEWSKA *

Abstract

Recent studies confirm that the principal-agent relationship adversely affects managers' decisions. This study experimentally investigates willingness to copy a decision that is ethically suspect in both high and low adverse selection criteria. It revealed that when the agency problem was observed, the respondents were less eager to misuse accounting discretion within foreign currency. It showed that without adverse selection criteria, respondents behave unreflectively, duplicating a choice to the detriment of financial reporting. The findings were also compared with Forsyth's taxonomy of personal moral philosophies, which show that most respondents represent the situationist and absolutist orientation, while situationists and exceptionists are less prone to misbehave. It suggests that individual moral orientation has an unexpectedly small impact, whereas witnessing the agency relationship tends to make subjects duplicate the choice described in the scenario to a lesser degree. Idealists are more severe in ethical evaluation compared to relativists, although the majority of respondents, who did not observe adverse selection conditions, showed a high propensity to would duplicate the misconduct. The most important variable is the existence of adverse selection criteria, indicating that decision-making and the choice of professionals lie at the heart of accounting policy choice, and that further research should be considered.

Keywords: accounting policy choice, principal-agent relation, ethical orientation, EPQ.

Streszczenie

Wpływ relacji agencji i indywidualnej ideologii etycznej na powielanie decyzji dotyczących wątpliwego wyboru polityki rachunkowości. Badanie eksperymentalne

Literatura prezentująca wyniki badań eksperymentalnych w rachunkowości potwierdza, że występowanie relacji pryncypał – agent niekorzystnie wpływa na decyzje menedżerów. W artykule zaprezentowano wyniki eksperymentu, w którym badano skłonność do powielenia wątpliwego etycznie zachowania w sytuacji występowania/braku relacji agencji. Uzyskane wyniki wskazują, że wcześniejsza obserwacja niewłaściwego wyboru w ramach polityki rachunkowości przy występowaniu relacji agencji zmniejsza skłonność do powielenia dyskrecjonalnych wyborów w zakresie wyceny rozrachunków w walutach obcych. Wykazano też, że bez niekorzystnych kryteriów podejmowania decyzji respondenci zachowują się bezrefleksyjnie, powielając dokonany wybór ze szkodą dla sprawozdawczości finansowej. Otrzymane wyniki

* Dr hab. Ewa Wanda Maruszewska, associate professor, University of Economics in Katowice, College of Finance, https://orcid.org/0000-0003-0461-4133, ewa.maruszewska@ue.katowice.pl

ISSN 1641-4381 *print* / ISSN 2391-677X *online*

porównano z taksonomią osobistych filozofii moralnych Forsytha wykazując, że większość badanych to sytuacjoniści i absolutyści oraz sytuacjoniści i utylitaryści są najmniej skłonni do powielania nieprawidłowej decyzji. Wyniki sugerują, że indywidualna orientacja etyczna ma bardzo mały wpływ, podczas gdy wcześniejsza obserwacja kwestionowanej decyzji w warunkach agencji zmniejsza skłonność badanych do powielenia decyzji. Idealiści są bardziej surowi w ocenie moralnej sytuacji w porównaniu z relatywistami, chociaż większość ankietowanych, którzy nie obserwowali negatywnych skutków relacji pryncypał – agent, wykazała wysoką skłonność do powielania niewłaściwego zachowania. Najważniejszą zmienną jest występowanie relacji agencji wskazując, że podejmowanie decyzji i indywidualne wybory praktyków stanowią ważny element tworzenia polityki rachunkowości i wymagają badań.

Słowa kluczowe: polityka rachunkowości, teoria agencji, orientacje etyczne, EPQ.

Introduction

Since 1973, when Stephen A. Ross described the theory of agency in the economic context, a vast number of researchers have investigated the principal's problem. Most of them dealt with decision-making in an organizational context, pointing to the manager as the agent and the owner as the principal. Specifically, past research focused on the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work (Eisenhardt, 1989). The metaphor of a contract is used in order to describe this relationship and its problems: (1) the conflicting goals of the principal and the agent, and (2) the difficulty (or impossibility) to control what the agent is actually doing, e.g., whether he/she behaves appropriately. From the existing research, it can be concluded that the agency situation occurs very often in business settings, influencing the decision-making process of the managers, e.g., chief executive officers or employees responsible for different managerial tasks. It has already been investigated whether the existence of the agency framework influences ethical decisions (Bøhren, 1998; Woodbine, Taylor, 2006; Watson et al., 2008). In this study, a decision is made after observing an employee in the same position who makes a questionable decision in the occurrence/non-occurrence of adverse selection criteria.

This research focuses on the principal-agent problem between the subordinate (the chief accountant or the chief financial officer) and the superior (the chief executive officer (CEO) or the managing director). I assume that the agency problem exists, as chief accountants may have the client identity problem (Westra, 1986). On the one hand, the main responsibility of the accounting department is to prepare a financial report that will provide faithful and relevant information about the economic phenomena of the reporting entity. In this sense, accounting professionals have a responsibility to act in the public interest. On the other hand, due to employer-employee relations, chief accountants may face an ethical dilemma, as it is clearly stated in the literature that managers use financial reporting to confirm to the owner that they have fulfilled their duties (Collins, Jarvis, 2000). In other words, financial statements serve as a basic report for the principal (the owner) to evaluate the agent's (i.e., CEO) activities taken during the reporting period. It creates a situation when the chief accountant has two demanding masters: one is the direct supervisor, the CEO, and the other one is the purpose of financial reporting described in both the Conceptual Framework as well as the legal regulations of accounting. Two demanding, and sometimes conflicting interests mean that it is necessary to know whom the professional accounting relationship is to be found. The answer is crucial when approaching professional ethics, as accountants preoccupied with technical issues may overlook the ethical sphere of the profession (Chen et al., 1997). Thus, the aim of this study is to investigate the willingness to duplicate a decision (made by the chief accountant) that is ethically suspect in both high and low adverse selection criteria. The decision refers to both the reliability of financial reports and the relationship with the immediate supervisor, the managing director.

As accounting policy choices are somewhat flexible, in order to enable the chief accountant to include different business situations into financial reports, contrasting disclosure is possible in accordance with the law. Individual choices in accounting require ethical considerations in the decision-making process in order to fulfill the true and fair view principle. That is why, in this research, the taxonomy of personal moral philosophies developed by Forsyth (1980, 1985, 1992) was incorporated into the research. In this study, by adding the ethical dimension to the experiment, the author investigated the relationship between personal moral philosophy and the propensity to copy a decision taken by the chief accountant. Specifically, I expect that the inclination to misbehave would be different when done by participants who have different ethical ideologies. The above expectation is in accordance with Forsyth's evidence that suggests that people's ethical ideology influences their moral judgments and decisions (Forsyth, 1980). It has been confirmed by previous research (Chan, Leung, 2005; Marques et al., 2009; Callanan et al., 2010), also with reference to the agency problem (Douglas, Wier, 2000; Huang, Tsai, 2015).

This study adds to the existing financial reporting research as well as to the literature on accounting discretion decision making. It contributes by suggesting that discretional accounting policy choices might be influenced by the conformism of the decision-maker, with the detrimental effect on accrual profits of the firm. It shows that witnessing agency relationships diminishes conformism and thus the propensity to misbehave, while ethical ideology has little impact on accounting policy choices. It suggests that decision-making in accounting might be made as a duplication of past decisions with no reflection on faithfulness or the materiality concept.

The paper is organized as follows: the existing accounting literature related to the principal-agency framework is reviewed in order to develop the first hypothesis. Further, the taxonomy of moral philosophies is described as a background for the second hypothesis. The empirical part of the paper starts with a description of the methodology of the experiment. Next, the results obtained from the study are presented to underpin the hypothesis. Finally, the findings and paths for future research conclude.

1. Dual roles and agency relationships among accounting professionals

The economic theory of agency describes social interactions, and that is why examples of agency are universal. Ross (1973) indicates that essentially all contractual arrangements – such as between an employee and an employer – contain important elements of agency. Hence, there is a risk that the agent (subordinate) will not always act in the best interest of the principal (supervisor). In accordance with Jensen and Meckling (1976), who view the firm as a nexus of a set of contracting relationships among individuals, I conclude that the chief accountant – CEO (subordinate – supervisor) relationship falls into the agency relationship. Thus, the question arises as to whether the chief accountant is primarily an agent to his supervisor or an agent of all those who rely on his products. Which principal of the accountant gains priority when making accounting policy choice decisions?

Maas and Matějka (2009) argue that experiencing role ambiguity and conflict may lead to increased tolerance to data misreporting. Casual observation of the practice of accounting policy choice suggests that there may be some professionals that are conformists explaining their decisions with compliance with the literal wording of the law only. If a certain accounting policy was made in the past (by the same person or by the previous employee occupying that position), making the same decision may be the "easiest" solution. One does not have to discuss the duplication of the decision with the supervisor as nothing has changed and nothing requires explanation. However, this conformist attitude ignores the changes in the entity's situation that happened since the previous accounting policy decision was made. Also, accepting the accounting policy choice made by the group of employees, although there are objective facts against the decision, may be due to an unreflective approach with little regard for underlying accounting assumptions or what the consequences will be for the entity's financial reporting and the readers of the financial statements. As a result, although duplicating a decision is among the methods allowed by law, it does not meet the most important qualitative characteristics of financial reporting: the faithful representation of economic phenomena. However, the application of accounting law is not only about choosing between methods allowed by the law; it is conscious decision-making that includes awareness of the faithfulness of the information produced and awareness to the stakeholders relying on the data provided. In the author's opinion, the latter attitude respects the principal represented by the objective of general-purpose financial reporting.

Further, it appears that the conformist (and/or opportunistic) behavior of the accountant may violate the trustee relationship between the principal (supervisor) and the agent (Baldvinsdottir et al., 2003). Professionals employed in order to keep the books and prepare financial reports are responsible for the compliance, which means that he/she can legally be held accountable to individuals and organizations (i.e., employer) for failure to perform his/her professional duties. On the other hand, the supervisor may impose power and/or pressure on the accountant (Eisenhardt, 1990; Yetmar et al., 1998; Abernethy, Vagnoni, 2004; Baird, Zelin II, 2009) because he is acting not only as a supervisor to the accountant but also as an agent for the shareholder. So, balancing dual roles refers not only to chief accountants but to the accounting profession in general, encompassing employees of all levels of the organization, from the lowest assistant positions to the chief financial officers.

2. Hypothesis development

Principal-agency relationships in previous experimental accounting research

The existing experimental literature often deals with agency relationships in accounting settings, with the mainstream of research primarily relating to managerial decisions represented by two issues: project evaluation and budget slack (e.g., Rutledge, Karim, 1999; Clor-Proell et al., 2006). One can also find some studies that refer to tax issues (Marshall et al., 1998; Cruz et al., 2000) or audit papers, trying to find an answer to the question: how do auditors' and taxpayers' incentives and legal regulations determine how they report? That is why some research deals with earnings management (Greenfield, 2008; Libby et al., 2015), or it investigates different personal and organizational factors (i.e., Kunz, Pfaff, 2002). Further, audit studies have investigated the relationship between the firm and auditors who are independent parties hired by a firm to do a certain job (Solomon, Trotman, 2003; Trotman et al., 2011; Birnberg, 2011; Turner, Coote, 2017), which is different from the supervisor-superior relationship.

An assumption for this study comes from a highly cited paper by Rutledge and Karim (1999), which suggests that managers' moral judgments, when referring to project evaluation decisions, are significantly influenced by adverse selection (both the incentive to shirk and possess privately held information). Huang and Chang (2010), who also based their research on Rutledge and Karim's paper, demonstrated that individual moral philosophy (in terms of relativism/idealism) could partially mitigate self-interest as a motivating factor. According to their results, a project manager with an outlook that is low in relativism will be more likely to discontinue a failing project than a manager with a highly relativistic viewpoint. The study demonstrated that moral philosophy is an important determinant when making controversial business decisions and that the social desirability bias gap is lower when an agency problem is not present.

Experimental studies that cite Rutledge and Karim are built upon a scenario when a respondent must decide to terminate a possibly falling project (Turner, Coote, 2017). The focus of this study is to investigate accounting policy choices. In Rutledge and Karim, the decision produced monetary consequences for the entity while the accounting policy decision that refers to year-end valuations does not threaten the loss of liquidity or insolvency. The scenario used by Huang and Chang (adopted from Rutledge and Karim, 1999) indicated the consequences in terms of future cash flows and the gain/loss on the sale of an asset. The scenario presented in this study pinpointed the only consequence as being the faithfulness of the financial report.

Finally, the propensity to terminate an unprofitable project in Rutledge and Karim was measured in a situation when the respondent was asked about his/her decision, while this study measures the propensity to duplicate the decision.

With the presented differences between previous research and the above-described assumptions, the first hypothesis was developed:

H1: There is an association between the presence/absence of adverse selection conditions in the observed accounting policy choice situation and the propensity to duplicate the decision with detrimental effects on faithfulness.

The association between an individual's ethical ideology and accounting policy choice

There is a vast empirical decision-making literature (Ford, Richardson, 1994; O'Fallon, Butterfield, 2005; Craft, 2013) about managers acting as trustees for society because they are accountable to shareholders to achieve the goal of economic growth of the company (Kean et al., 1988). As stated in the previous section, CEOs and accountants are also accountable to the owners. However, accountants are expected to provide faithful financial reports to the owners and, at the same time, follow their supervisor's instructions, which may be motivated by premises contrary to underlying accounting fundamentals. In such a situation, one can assume there is a moral responsibility to all those who may rely on financial reports prepared by accountants (Westra, 1986) with simultaneous legally defined employee subordination.

Business ethics studies used individual ethical ideologies in the past (Elias, 2002; Greenfield et al., 2008; Marques, Azevero-Pereira, 2009; Callanan et al., 2010) and it was confirmed (Huang, Chang, 2010) that managers with low relativism presented a stronger tendency to make more ethical decisions. Based on Forsyth's taxonomy (1980, 1992), they conjecture that managers with low relativism focus on individual decision-making outcomes, whereas idealism concerns universal moral principles (Table 1). When judging others, high relativists weight the circumstances more than the violated ethical principle, as they deny any absolute moral principle in the world. People who prefer relativism may follow their subjective conscience or personal beliefs and not follow universal moral rules. By contrast, idealists (low relativists) accept absolute moral rules and do not allow changing situations to influence their moral decisions (Huang, Chang, 2010). Subjects who are high on the idealism scale would follow universal rules such as faithfulness of financial reports, despite the circumstances.

Huang and Chang's incorporation of Forsyth's taxonomy refers to project decisions while this research investigates accounting policy choice represented by the foreign currency year-end valuations of accounts receivable and accounts payable. In addition, this research attempts to apply four ethical orientations to the accounting policy choice based on two main characteristics of relativism and idealism: conformity and consequence (Table 2). The four taxonomies are based on the work done by Forsyth (1985), and they propose that high/low acceptance of exchange rate manipulations serves as a conformity measure, while high/low importance of faithful financial reporting is understood as a consequence outcome.

Table 1. Taxonomy of ethical ideologies

	Relativism High	**Relativism** Low
Idealism High	Situationists advocate a contextual analysis of morally questionable actions	Absolutists use inviolate, universal moral principles to formulate moral judgments
Idealism Low	Subjectivists argue that moral judgments should depend primarily on one's personal values	Exceptionists admit that exceptions must sometimes be made to moral absolutes

Source: Forsyth (1980, p. 176).

Table 2. Applying the four ethical ideologies to accounting policy choice decisions

Situationist	
High relativism – conformity cue	High idealism – consequence cue
Conforming to moral principles is not always possible; those who violate moral norms <u>may be excused</u> – <u>high</u> acceptance for the use of accounting policy choice for, e.g., personal benefit	One should always strive to promote positive outcomes – <u>high</u> importance of faithful financial reporting as a positive outcome
Absolutist	
Low relativism – conformity cue	High idealism – consequence cue
Conforming to moral principles is not always possible; those who violate moral norms <u>should not be excused</u> – <u>low</u> acceptance for the use of accounting policy choice for, e.g., personal benefit	One should always strive to promote positive outcomes – <u>high</u> importance of faithful financial reporting as a positive outcome
Subjectivist	
High relativism – conformity cue	Low idealism – consequence cue
Conforming to moral principles is not always possible; those who violate moral norms <u>may be excused</u> – <u>high</u> acceptance for the use of accounting policy choice for, e.g., personal benefit	One should <u>not</u> always strive to promote positive outcomes – <u>low</u> importance of faithful financial reporting as a positive outcome
Exceptionist	
Low relativism – conformity cue	Low idealism – consequence cue
Conforming to moral principles is not always possible; those who violate moral norms <u>should not be excused</u> – <u>low</u> acceptance for the use of accounting policy choice for, e.g., personal benefit	One should <u>not</u> always strive to promote positive outcomes – <u>low</u> importance of faithful financial reporting as a positive outcome

Source: own work based on Forsyth (1985).

The characteristics of the four ethical ideologies can be applied to an accounting setting based on two main distinctions between relativism and idealism. Decision-making in financial reporting may be seen as a choice between the faithfulness of financial reports (consequence, the outcome of financial accounting) and accepting to use discretionary accounting regulations for a certain purpose. This could refer to the needs of the entity represented by the management of the unit, or it could derive from the conformity behavior of the decision-maker. Thus, it can be assumed that situationists who pay attention to the positive consequences (high consequence cue) in preparing financial reports would accept universal norms of financial accounting, such as the faithfulness of information disclosed in financial reports.

Situationists would not allow situations such as misstating net profits or falsifying year-end valuations until it is justified by personal benefits. At the other end of the ethical spectrum, relativistic individuals adopt personal moral philosophies based on skepticism. They weight circumstances more than universal principles. Relativists would accept the usage of flexible accounting regulations to create favorable financial information disclosed in financial reports or to simplify their decision-making. Therefore, it can be expected that subjectivists, who make decisions based on their subjective judgments about a given situation, would make different decisions than absolutists, who judge a behavior as ethical only if it is in accordance with moral rules and results in positive consequences. As a consequence of the above considerations, I assume that individuals espousing idealistic or relativistic values would make different decisions as a consequence of distinct ethical judgments.

Researchers often refer to Rutledge and Karim (1999), who showed that agents do not always act in accordance with intrinsic incentives but also include ethical considerations, especially in the absence of adverse selection conditions. This study is built upon Rutledge and Karim’s procedure but applied to accounting policy choice and the implementation of the four ethical ideologies, as was done in other research that incorporated decision-making with ethical ideologies (Douglas, Wier, 2000; Marquez, Azevero-Pereira, 2009; Huang, Tsai, 2015). Using witnessing and then the possibility to duplicate (refrain from duplicating) a decision, the consequences and conformity can be investigated in reference to the four ethical ideologies. It is interesting to analyze whether situationists (who observe the situation in which accounting policy is used to achieve intrinsic incentives to the detriment of faithfulness) would duplicate a questionable decision. It is also fascinating to see how they compare to exceptionists, who are on the opposite end of the scale, when judging individuals by their acceptance of the use of discrete choice in accounting and by their perception of the importance of faithfulness.

Based on the above description, the second hypothesis was developed:

H2: There is an association between individual ethical ideology and the propensity to duplicate a decision with a detrimental effect on the faithfulness of financial reporting.

3. Method

A laboratory experiment was conducted using a 2x1 factorial design to see if self-interest and the availability of information, treated as an opportunity to shirk (the existence or non-existence of the agency relationship as an independent variable), have an impact on how individuals make decisions in the case of the (non)revaluation of accounts receivables and payables nominated in a foreign currency with a detrimental effect on yearly profits. The dependent variable is the subjects' propensity to copy a decision made by the chief accountant in the scenario they are presented with.

The scenario was intended to describe real-world phenomena, i.e., the relationship between the CEO and the chief accountant, presented as a principal-agency relationship. In both scenarios, the legal regulations referring to the valuation of accounts payables and accounts receivables were presented, pointing to the obligation to use the year-end exchange rate for foreign currency payables and receivables. On the other hand, it was stated that materiality is an entity-specific aspect of relevance based on the nature and magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report (IFRS, 2018). The design of the scenario was verified in a pilot study. All participants (six accounting practitioners) indicated the high (above 80%) value of the occurrence of such a situation in reality in Poland.

The following is the description of the subjects and the procedures used in the final research to collect the experimental data.

<u>Subjects</u>

The study included 102 participants with an undergraduate degree and who have already gained admission to a master's degree program in accounting at a public university. The respondents were between 22 and 50 years old (Median = 23; Mode = 27), many of whom were women (82 subjects; 80.4%). An education in economics was declared by 57 respondents (55.8%). 83.3% of respondents (85 subjects) had professional experience. Most of the respondents (56; 54.9%) had gained professional experience in accounting positions, followed by positions related to financial management (26; 25.5%). Additionally, 17 subjects (16.7%) indicated professional experience unrelated to finance or accounting.

The largest number of respondents (40; 39.2%) declared experience obtained in an entity that provides accounting services, while 20.6% (21 subjects) had gained experience in the accounting departments of nonfinancial entities. Quite a large number of participants (12; 11.8%) gained experience in public sector accounting departments, and a few in state-owned enterprises and banks (8; 7.9%).

Experience was mainly acquired in large entities (29; 28.4%), followed by a comparable number of respondents in micro and small enterprises (22 and 24 respondents, respectively; 21.6% and 23.5%). The least number of participants gained professional experience in medium-sized entities (10; 9.8%).

Procedures

In the experimental task, all the subjects were presented with a case in which a chief accountant incorrectly chooses a discretional accounting policy. Based on the procedure implemented by Reidenbach and Robin (1990), the respondents were first presented with a description of the case ending with a questionable accounting policy choice made by the chief accountant, and then they were asked to indicate the propensity that they would undertake the same action. This procedure was chosen as many past studies have already shown that a high adverse selection condition (private information and a high incentive to shirk) influences the decision-maker. The developed scenario was intended to create a situation in which the subject observes a person in the same position making questionable decisions, and then he/she is in the same place with a propensity to undertake the same/different action.

The chief accountant had to decide whether to use the current exchange rate for the year-end valuations of accounts receivables and accounts payables or to refrain from the year-end measurement in accordance with the materiality concept. In order to decide, the chief accountant prepared a simulation of the valuation of exchange rate differences and their impact on the financial results.

Table 3. Calculations presented in the scenario

Item	**Before** year-end valuation [PLN]	**After** year-end valuation [PLN]
Sales revenues	8,000,000	8,000,000
Cost of sales and administrative, sales expenses	7,400,000	7,400,000
Other revenues	100,000	100,000
Other costs	50,000	50,000
Operating profit	**650,000**	**650,000**
Financial income	10,000	10,000
Financial expense	12,000	62,000
Profit before tax	**648,000**	**598,000**
Income tax	100,000	100,000
Net profit	**548,000**	**498,000**

Source: own work.

After analyzing the differences in the net profit presented in Table 3, the chief accountant decided to refrain from the year-end valuation. In order to authorize the decision, he/she also decided to apply relevant changes in the existing accounting policy. The materiality concept was mentioned as an explanation for the decision to withdraw from the year-end valuation. The subjects had to declare to what degree they would act in the same way in the same situation as the chief accountant from the scenario they were given. Coming to a different or the same decision was indicated as a value from 0% to 100%. The scale endpoint 0% was labeled "I would certainly not do the same," while 100% was labeled "I would certainly do the same." The subject's indication on the scale was used as the dependent variable.

Each subject was randomly assigned to an experimental or control group. In the experimental condition, the subjects read a scenario that included private information and an incentive to shirk. They were told that (1) the chief accountant's decisions in the field of accounting policy are not controlled by the firm's management, and (2) the final valuation of the receivables and payables will influence the firm's net profit and will affect the chief accountant's yearly bonus. The agency relationship manipulation was based on that used by Routledge and Karim (1999), who are frequently cited and mirrored, as they clearly distinguish two agency relationship characteristics: information asymmetry and intrinsic motivation. Hence, the experimental group was presented with the scenario with high adverse selection conditions:

- the management is informed about the decision made and justifications only if the chief accountant is willing to do so; thus the chief accountant possesses private information while the management of the firm acts as principal dependent on the data provided by the employee;
- there is an obvious monetary motivation for the chief accountant to refrain from a year-end revaluation of foreign currency accounts, as the subjects were told that he had already made some plans for the bonus.

In the second version of the scenario (the control group), the chief accountant did not experience the influence of self-interest and private information criteria. The subjects were told that (1) the firm's management actively takes part in accounting policy decisions and the chief accountant discussed the solution and convinced the CEO, and (2) no intrinsic incentives influenced the decision-making process of the chief accountant. Thus, the second scenario is characterized by the low adverse selection conditions while presenting a realistic situation in determining accounting policy.

There was one more independent variable: the subjects' personal moral ideologies. Based on Forsyth's taxonomy of ethical ideologies, the subjects were first divided into high on the relativist scale and high on the idealist scale, and then into four groups representing four distinct ethical perspectives: situationists, absolutists, subjectivists, and exceptionists. The Ethics Positioning Questionnaire (EPQ) was used to classify the subjects into those who reject universal moral rules (idealism) in favor of relativism, following similar studies (Eilas, 2002; Greenfield, Norman, Wier, 2007). The EPQ is comprised of a series of 20 attitude statements, ten concerning relativism, and ten concerning idealism. The respondents had to indicate their degree of agreement and disagreement with each item. The aim of classifying the subjects was to analyze whether individual ethical ideology influences the assessment of the chief accountant's behavior. The assumptions of the differences in moral judgments were based on Forsyth's description of the four ethical ideologies (Table 2). High/low acceptance of exchange rate manipulations served for conformity conditions, while high/low importance of faithful financial reporting was understood as consequence outcomes.

The decision-making process is characterized by uncertainty in the agency relationship, as are accounting policy choices made by individuals. This is valid, especially when actions undertaken within accounting policy are ambiguous. Thus, the respondents were also asked to mark whether the decision made by the chief accountant would be duplicated by other accountants and whether it would be questioned by a public auditor. The possible answers to the above questions were yes or no. These two questions were manipulation checks to see whether the participants understood and realized the ambiguity of the situation designed in the scenario (Greenfield et al., 2008).

4. Results

The data analysis started with the statistics referring to the propensity to carry out the same behavior. The classification used for the analysis was based on the experimental and control groups. The experimental group was characterized by witnessing a situation in which the chief accountant decided to use private information, which resulted from the fact that the CEO was not informed about this decision as it was out of the scope of his day-to-day business interests. In addition, moral hazard was observed, as the chief accountant shirked his responsibilities in order to obtain a monetary bonus. In the control group, the chief accountant made the same decision, which was detrimental to the faithfulness of the financial reporting, but no adverse selection criteria were present.

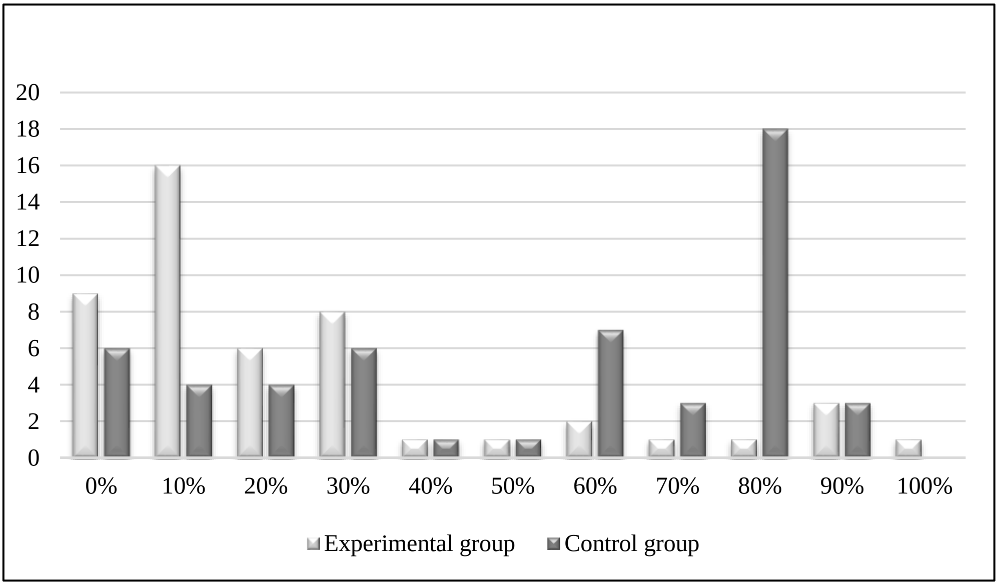
Witnessing the principal-agent relationship that arose from intrinsic incentives and information asymmetry between the parties resulted in a lower propensity to make the same decision as the chief accountant (Table 4, Graph 1).

Table 4. Descriptive statistics of the propensity that the subject would behave in the same way as the chief accountant – experimental and control groups

Group	Descriptive statistics						
	Subsample	Min	Max	Arithmetic mean	Median	Mode	Coefficient of variation for standard deviation
Experimental group	49	0	100	24.92	10.00	10.00	110.5027
Control group	53	0	90	50.52	60.00	80.00	61.0732

Source: own work.

Graph 1. Frequency of answers indicating the propensity that the respondent would make the same decision as the chief accountant.



Source: own work.

Table 4 and Graph 1 show that the respondents who read the scenario without the highlighted principal-agent problem (the control group) were more likely (Median = 60; Mode = 80) to behave in the same manner as the chief accountant than the subjects in the experimental group (U = 1852.0; p < .001)[1]. Thirty-two responders (out of the 53 in the control group; 60%) stated a percentage higher than 50%, indicating their propensity to refrain from the year-end measurement, which was detrimental to net profit. It is somewhat surprising because the explanation in the form of the materiality concept was not correct in this case, as the changes in net profit reached 9% (Table 3). The experimental group of respondents, who knew that the accountant had self-interest incentives (a monetary bonus) and that some information was private, highly denounced the chief accountant's action compared to the same behavior of the accountant who had did not have private information and nor was he directed by self-interest incentives. Only nine subjects (18%; n = 49) indicated that they would duplicate the action undertaken by the chief accountant described in the scenario (Graph 1). In sum, the dependent variable shows a high propensity to duplicate the decision when low adverse conditions are present while indicating a low propensity to misbehave when principal-agent relationships strongly influence the decision.

[1] The U Mann-Whitney test was used for independent samples.

Table 5. Frequency referring to the ambiguity of the chief accountant's behavior

Situation	Data specification			
	Group	**Answer**	**Number of subj**	**Percentage**
Other chief accountants would do the same	Experimental	Yes	14	28.6
		No	35	71.4
	Control	Yes	22	41.5
		No	31	58.5
The auditor would question the decision of the chief accountant	Experimental	Yes	42	85.7
		No	7	14.3
	Control	Yes	43	81.1
		No	10	18.9

Source: own work.

Additional questions checked whether the subjects understood the ambiguity of the situation described in the scenario (Table 5). Most subjects indicated that other accountants would not do the same as the chief accountant, regardless of whether they were in the experimental or control group. The answers to the second question, related to the belief that the auditor would question the decision made by the chief accountant, were similar ($\chi2$ (1, N = 102) = .385, p = .363)[2] among those in the experimental and control groups. Most respondents were convinced that an independent accountant would question a failure to conduct a year-end valuation of foreign currency payables and receivables. The above result shows that the respondents were aware of the questionable behavior of the chief accountant described in the scenarios.

After witnessing the decision made by the chief accountant in the presence/absence of adverse selection conditions, the subjects had to evaluate the behavior of the chief accountant in terms of ethical/unethical assessment of the accounting policy choice made. Table 6 shows that most respondents assessed the chief accountant's behavior as unethical. However, those who observed the behavior of the chief accountant in the high adverse selection conditions were more strongly convinced (88%) that the accounting policy decision was unethical (Table 6).

Table 6. Frequency referring to the ethical evaluation of the chief accountant's behavior

Evaluation	Group	Answer	Number of subjects	Percentage
The decision is ethical	Experimental	Yes	6	12.2
		No	43	87.8
	Control	Yes	25	47.2
		No	28	52.8

Source: own work.

[2] Pearson's chi-square test was used as the statistical tool through the paper.

So, there is evidence to suggest an association between the absence/presence of an agency relationship and the ethical evaluation of the decision made by the chief accountant. The respondents who read the scenario with the principal-agent problem were more severe in their evaluation compared to the same scenario presented without the agency framework ($\chi 2(1, N = 102) = 14.680$, $p < .001$).

Summarizing the results related to H1, the propensity to duplicate the decision (with a detrimental effect on faithfulness) is influenced by the presence/absence of the agency problem in the observed accounting policy choice. The respondents' propensity to duplicate the behavior of the chief accountant was smaller in the scenario with the agency problem. Moreover, the ethical assessment of the decision made by the chief accountant varied depending on whether the subject was treated with the experimental or the control scenario. An ethical evaluation of the accountant's behavior was more severe when the respondents were informed about the intrinsic incentives and private information used by the chief accountant. It is surprising that out of the 32 respondents (60%; n = 53) who declared they would duplicate the decision, 11 evaluated the behavior as unethical while 21 regarded it as ethical.

In order to verify H2, in the first step, the respondents were classified into two groups reflecting ethical ideologies: relativism and idealism. The original Ethics Positioning Questionnaire (with the seven-point Likert scale) was used as in previous studies that incorporated an ethical dimension into decision-making in accounting (Douglas, Wier, 2000; Huang, Tsai, 2015). The results were found to possess higher internal consistency for relativists than for idealists (Cronbach's alpha of .748 and .714, respectively). The mean score of participants' responses to idealism and the mean score of their responses to relativism were taken to be their two EPQ scores. The scores were then used to classify the respondents to ethical ideologies, as presented in Table 7. The scales almost share the maximum, but the number of idealists is definitely bigger (88 subjects; 86.3% of subjects) as only 14 respondents were higher on relativism than on idealism (13.7%).

Grouping the subjects between individuals higher on the relativist scale and those higher on the idealist scale revealed interesting results. In detail, 84% of idealists did not declare the same behavior as the chief accountant, while 50% of relativists acknowledged that they would do the same ($\chi 2$ (3, $N = 102) = 22.480$, $p < .001$).

Table 7. EPQ descriptive statistics

Scale	Descriptive statistics						
	Subsample	**Min**	**Max**	**Arithmetic mean**	**Median**	**Coefficient of variation for standard deviation**	**Cronbach's alpha**
Idealism	88	4.40	6.90	5.76	5.70	7.9429	.714
Relativism	14	1.70	6.50	5.35	4.70	23.8030	.748

Source: own work.

Comparing the answers given by the idealists and relativists to two questions (Table 5), the results indicate a difference in the opinion as to whether other accountants would do the same ($\chi2$ (1, N = 102) = 9.278, p = .004). Most relativists indicated that other accountants would do the same, while the idealists said the opposite. This is consistent with the question about the propensity that they would do the same, as the majority of idealists (62 out of 88 idealists; 70.5%) believe that other accountants would account for exchange rate expenses diminishing the profit. No differences were found between the relativists and idealists in the second question; most of them were convinced that an independent auditor would question refraining from the year-end measurement. Referring to the ethical evaluation question (Table 6), again, the idealists were sure that refraining from the year-end measurement is unethical, while most relativists indicated the opposite ($\chi2$ (1, N = 102) = 5.489, p = .024).

As the idealists numbered 88 subjects, and their distribution between the experimental and treatment group was similar (45 and 43 subjects respectively), a more detailed interpretation of the result was performed. Although, as stated above, 84% idealists did not declare inappropriate behavior, there is a difference in the stated propensity of the same behavior as the chief accountant between the idealists in the experimental group and the idealists in the control group ($\chi2$ (19, N = 88) = 31.291, p = .038). The relationship was similar to the one observed among all 102 subjects: the respondents in the experimental group were more likely to refrain from conducting the year-end valuation. The above analysis shows the dominant influence of the existence/non-existence of adverse selection criteria on the respondents' propensity to use discretional accounting when compared to two ethical ideologies.

In the next step, the respondents were classified into four groups based on the methodology developed by Forsyth (1980, 1985, 1992). Referring back to Table 1, the respondents who had low scores on both scales were classified as exceptionists, and those with high scores on both scales were classified as situationists. The subjects high on the relativism scale and at the same time low on the idealism scale were grouped as subjectivists, and those low on the relativism scale while high on the idealism scale were classified as absolutists. Table 8 shows that situationists and absolutists prevail, which is a consequence of high idealism (Table 1).

Table 8. Descriptive statistics of the propensity that the subject would behave in the same way as the chief accountant – ethical orientations

Scale	Descriptive statistics						
	Sub-sample	**Min**	**Max**	**Arith-metic mean**	**Median**	**Mode**	**Coefficient of variation for standard deviation**
Situationist	30	0	90	32.88	20.00	10.00	94.7801
Subjectivist	22	0	100	49.31	57.50	10.00	69.4730
Absolutist	31	0	90	37.93	30.00	30.00	81.6948
Exceptionist	19	0	90	34.90	30.00	10.00	89.9339

Source: own work.

When discussing the hypothesized influence of ethical taxonomies on the propensity to duplicate a questionable decision made by the chief accountant (H2), no significant difference was found between the situationists, subjectivists, absolutists, and exceptionists ($\chi 2$ (3, N = 102) = 4.296, p = .231). Although no statistically significant difference was found, it can be observed that the subjectivists, who are high relativists and low idealists (and thus make decisions based on their subjective judgments about a given situation and the behavior of those involved), mostly duplicated the questionable decision. In contrast, the absolutists, who are high idealists and low relativists (and thus judge a behavior as ethical if only it is in accordance with moral rules and results in positive consequences), mostly did not duplicate the accounting policy choice. The decisions made are in accordance with the characteristics of the situation in terms of negative/positive consequences (deterioration of faithfulness) and their (un)acceptance of respondents with different individual ethical orientations.

The difference can be observed when other dimensions of analysis are included, i.e., the presence/absence of adverse selection conditions as the most important and ethical/unethical assessment. The situationists and exceptionists who were in the experimental group were less prone to duplicate the behavior ($\chi 2$ (1, N = 30) = 11.627, p = .001); ($\chi 2$ (1, N = 22) = 4.550, p = .033). In turn, among the subjectivists and absolutists, there is no association between participation in the experimental/control group and the propensity to duplicate behavior ($\chi 2$ (1, N = 22) = 2.424, p = .119); ($\chi 2$ (1, N = 31) = .797, p = .372).

Combining the results presented in Table 8 with the respondents' assessment of the behavior as ethical/unethical, the situationists and absolutists expressed a consistent opinion: those subjects who did not duplicate questionable behavior were convinced more often that the action taken by the chief accountant is unethical ($\chi 2$ (1, N = 30) = 6.903, p = .009); ($\chi 2$ (1, N = 31) =12.778, p < .001).

Hypothesis 2 (H2) predicts that depending on the ethical ideology, the respondent would show a different propensity to duplicate the behavior of the chief accountant. On the one hand, taking into account the four ethical ideologies only (and omitting the breakdown into experimental and control groups), the hypothesis should be rejected. On the other hand, when comparing the results with the absence/presence of agency relationships, the hypothesis was confirmed, as situationists and exceptionists were less likely to misbehave. Further, using the concept of the two ethical ideologies (relativism and idealism) as independent variables also supports the hypothesis. The idealists were less prone to duplicate the improper behavior.

In sum, the results show that the ethical evaluation of professionally questionable actions taken during the year-end valuation is associated with the situational characteristics: the occurrence or non-occurrence of adverse selection conditions (H1). When self-interest is combined with private information, the propensity to copy the action of the chief accountant is lower, and more respondents consider this behavior unethical. Secondly, most respondents were classified as idealists, and their evaluation of the chief accountant's behavior was significantly different from the point of view presented by the relativists (H2). The idealists' moral judgment was far more severe than that of the relativists.

Additionally, I found that respondents who had professional experience gained in micro- and small entities more frequently indicated that other chief accountants would not do the same ($\chi 2$ (3, N = 85) = 13.773, p = .003). Furthermore, there was a significant main association between the type of entity where professional experience was gained and the propensity to do the same as the chief accountant had done. Those respondents who had gained professional experience in entities providing accounting services for companies that outsource accounting tasks ($\chi 2$ (5, N = 85) = 20.052, p = .001) more often believed that other accountants would not do the same as the chief accountant in the scenario. Also, those respondents who had gained professional experience in micro- and small entities ($\chi 2$ (3, N = 85) = 14.104, p = .015) more frequently expressed the opinion that the behavior of the chief accountant was unethical.

The results obtained from the study have to be interpreted within the context of the limitations of the study. A questionnaire study was used to examine the effect of agency problem conditions and ethical ideology based on existing methodology. However, as with most laboratory studies, the presented scenario was a simplified abstraction of the real world, and generalizations from this abstraction should be made with care. Another limitation comes from the small number of respondents (N = 102) who are experienced in accounting and are completing a part-time post-graduate program at a public university in Poland.

5. Discussion of the findings

The study applied the agency relationship to a decision in the case of the (non)revaluation of foreign currency accounts in order to investigate whether the propensity to duplicate the decision with detrimental effects on yearly profits is influenced by the absence/presence of adverse selection conditions. Up-to-date experimental research showed that such an influence exists, but the situations under consideration dealt with decision-making related mainly to (dis)continuing unprofitable projects or they referred to audit settings. In contrast to previous studies, the scenario in this research focuses on the year-end valuations of foreign currency receivables and payables, with no implications for future business operations but with a detrimental effect on accrual profits of the firm. Thus, in the scenario, the information about the unfavorable future performance of the entity was exchanged for the reminder about the goal of general-purpose financial reporting: the faithfulness of disclosed information. The second distinction from previous studies refers to the way subjects were asked to make an individual decision. The respondents first had to observe the improper behavior of the chief accountant, and then they were asked to indicate their propensity to duplicate his/her decision.

The assumption that the presence/absence of the principal-agent relationship influences the propensity to act incorrectly was confirmed (H1). The findings show that the subjects who were confronted with intrinsic incentive and private information made choices that lowered the faithfulness of financial reporting to a lesser degree. Surprisingly, those who were presented with the scenario without the agency problem were more prone to make the same decision as the chief accountant regarding reducing the reliability of financial information. This finding is consistent with the study of O'Fallon and Butterfield (2011), and it suggests that subjects who acted as the chief accountant adopted a decision that was inconsistent with the contractual goal agreed between the accountant and the employer, i.e., preparation of a faithful financial report.

Nevertheless, this finding is puzzling, as most of the subjects in the control group showed a propensity to make decisions that were detrimental to the faithfulness of the financial report, although neither moral hazard nor information asymmetry was pinpointed in the scenario. One possible explanation is that despite questioning the ethics of the behavior, compliance with the literal wording of the law was maintained by introducing an irrational change in the accounting policy. It opens a discussion on how practitioners understand compliance with flexible accounting regulations. Is complying with the wording of a regulation sufficient, or should the ethical dimension be encompassed by referring to the qualitative characteristic of faithfulness, which is not directly explained in the accounting regulations? Does a reliance on the rules described in legal regulations result in professionals hiding behind these rules and believing that they are ethical?

The existing literature indicates that the agency relationship may incite practitioners to egoistic, unsound decision-making that is not consistent with rational economic managing (Schultz, Cheng, 2002; Chang, Yen, 2007; Ho, Vera-Munoz, 2007; Denison, 2009; Ang, Cheng, 2016). This study sheds light on decision-making in accounting policy choice when neither private information nor intrinsic incentives are present, and no further performance (monetary) consequences are predicted. It suggests that people are also eager to commit misconduct even when there are no personal or situational reasons to do so, which is consistent with the assumptions made by Fligstein and Roehrkasse (2013) in the mortgage securitization industry. This study contributes to the literature by suggesting that the respondents' decisions were made as a duplication of the previous decision, with no reflection on their faithfulness or the materiality concept. It suggests that assumptions about conformist behavior may occur in practice, especially when taking into account that it was only the absolutists who mostly did not duplicate the decision in the group without the adverse selection conditions. The absolutists rejected the duplication, likely due to the high importance of the consequences of the decision (consequence cue) and low acceptance for the use of discrete accounting policy choices for conformity behavior (conformity cue).

The study also revealed that most practitioners judged the action taken by the chief accountant as unethical, showing ethical sensitivity, defined as the ability to recognize the ethical nature of a situation in a professional context (Chen et al., 1997). Notably, the respondents were more severe in their moral judgments when it was suggested that intrinsic incentives and private information had influenced the decision made by the chief accountant. It brings to mind that practitioners are aware that accounting has an ethical dimension. Despite the above, the findings show that there is a risk of unethical conduct of accountants for the reasons explained above. It suggests that in an ethically doubtful situation, e.g., when an accountant should decide about the accounting policy that will shape the financial report, a non-substantive argument or unreflective duplication may prevail, reducing the faithfulness of the information disclosed in financial reports.

Such behavior may lead to a situation when one of the accountant's demanding principals will be dominated by the other, with a detrimental effect on the faithfulness of the financial reporting. Referring to the question asked at the beginning of the paper, it seems that an accountant's supervisor gains priority over the second principal of the accountant: the objective of financial reporting defined with the use of faithfulness qualitative characteristics.

The second part of this research was based on the conjecture presented by Forsyth (1980). The scenarios presented to young professionals were constructed in such a way that (1) relativism was introduced in the form of flexible accounting policy choices, which allowed for unethical behavior in accordance with the law, and (2) idealism was based on the consequences of producing a faithful vs. unfaithful financial report. The results revealed that most of the respondents proved to be idealists, and thus most of them were classified as situationists and absolutists.

The results of the study provide no evidence that the four ethical ideologies explain the ethical assessment of the accounting decision. Interestingly, the division of the respondents into those who participated in the experiment with adverse selection conditions and those who did not observe the principle-agent relationship showed differences in their propensity to duplicate the decision and in their ethical assessment of the year-end valuation of receivables and payables nominated in a foreign currency. This finding is consistent with previous studies that indicated the impact of the principal-agent relationship on managers' decisions. However, and more importantly, it suggests that individual moral orientation has an unexpectedly small impact. In contrast, the previous witnessing agency relationship tends to make subjects duplicate the choice described in the scenario to a lesser degree.

When judging moral actions, relativistic individuals weigh the circumstances more than the ethical principle that was violated (Forsyth, 1992). It may explain why most respondents (regardless of whether they were assigned to the experimental or the control group) declared that they would not copy the behavior of the chief accountant if they had to decide. Most of the idealists indicated that, in their opinion, other accountants would not behave in the same manner, and most of them evaluated the action as unethical. Although the results support hypothesis H2, no definitive explanation for the finding that most relativists ethically excuse the questionable refusal to conduct the year-end valuation was found. It may be related to the observed propensity to misuse discretionary accounting choice, although no conflicting interests or motivation problems occur. The study did not explain the conformity and consequence characteristics of the four ethical ideologies, either. Is raises a question: what was the dominant feature that made the subjectivists and absolutists duplicate misconduct more often?

6. Implications and further research

The most important implication from this study relates to the witnessing and duplication of an accounting policy choice that has a detrimental effect on the faithfulness of financial reporting. On the one hand, a significant effect was found in the low adverse selection condition, which shows the potential to add to our understanding of certain decisions of entry-level personnel that should be of interest to researchers, regulators, and accounting practitioners in general. The findings indicate that most subjects who observed the questionable behavior of an employee in an equal position did not decide to act improperly. In contrast, those who made the decision in low adverse selection conditions mostly decided to duplicate it without reflection. Further, no effect was observed for the four ethical ideologies on the duplication of a questionable decision made by the chief accountant. Thus, additional research is needed to investigate ethical ideologies, their impact on unthinking (inter alia conformist) behavior, and to look further into the reasons why accounting professionals disregard the faithfulness of financial reporting. Another extension of this study would be to examine unreflective compliance with the literal wording of the law, which should not be the case when applying flexible accounting regulations in practice. Moreover, the effects of different ethical considerations, together with, e.g., professional commitment, interpersonal trust between supervisor and subordinate, etc., on accounting policy decisions might be of interest for future research. A search for the trends in individual ethical orientations and the decisions made by entry-level employees should provide considerable insights into understanding why financial reporting manipulation is accepted by practitioners.

References

Abernethy M.A., Vagnoni E. (2004), *Power, organization design and managerial behavior*, "Accounting, Organizations and Society", 29, 207–225. DOI: https://doi.org/10.1016/S0361-3682(03)00049-7.

Adbel-Rahim H., Stevens D.E. (2018), *Information system precision and honesty in managerial reporting: a re-exmination of information asymmetry effects*, "Accounting, Organizations and Society", 64, pp. 31–43. DOI: https://doi.org/10.1016/j.aos.2017.12.004.

Amiram D., Bozanic Z., Cox J.D., Dupont Q., Karpoff J.M., Sloan R. (2018), *Financial reporting fraud and other forms of misconduct: a multidisciplinary review of literature*, "Review of Accounting Studies", 23, pp. 732–783. DOI: https://doi.org/10.1007/s11142-017-9435-x.

Ang N., Cheng M.M. (2016), *Does self-certification encourage or reduce opportunistic behavior?*, "Behavioral Research in Accounting, 28(2), pp. 1–16. DOI: https://doi.org/10.2308/bria-51468.

Baird J.E., Zelin II R.C. (2009), *An examination of the impact of obedience pressure on perceptions of fraudulent acts and the likelihood of committing occupational fraud*, "Journal of Forsenic studies in Accounting and Business", 1 (1), pp. 1–14.

Baldvinsdottir G., Hagberg A., Johansson I.-L., Johansson K., Marton J. (2003), *The role of trust in accounting research*, Paper presented at the 26th Annual Congress of the European Accounting Association, April 2–4, 2003 at the University of Seville, pp. 2–20. Available at: https://www.researchgate.net.

Birnberg J.G. (2011), *A Proposed Framework for Behavioral Accounting Research*, "Behavioral Research in Accounting", 23, pp. 1–43.

Bøhren Ø. (1998), *The agent's ethics in the principal-agent model*, "Journal of Business Ethics", 17, pp. 745–755. DOI: https://doi.org/10.1023/A:1005722800141.

Booth P. Schulz A.K.-D. (2004), *The impact of an ethical environment on managers' project evaluation judgments under agency problem conditions*, "Accounting, Organizations, and Society", 29, pp. 473–488. DOI: https://doi.org/10.1016/S0361-3682(03)00012-6.

Boučková M. (2015), *Management Accounting and Agency Theory*, "Procedia Economics and Finance", 25, pp. 5–13. DOI: https://doi.org/10.1016/S2212-5671(15)00707-8.

Callanan G.A., Rotenberry P.F., Perri D.F., Oehlers P. (2010), *Contextual factors as moderators of the effect of employee ethical ideology on ethical decision-making*, "International Journal of Management", 27 (1), pp. 52–76.

Chang C.J., Yen S.-H. (2007), *The effect of moral development and adverse selection conditions on managers' project continuance decisions: a study in the Pacific-Rim region*, "Journal of Business Ethics", 76, pp. 347–360. DOI: https://doi.org/10.1007/s10551-006-9286-z .

Chen A.Y.S., Sawyers R.B., Williams P.F. (2013), *Reinforcing ethical decision making through corporate culture*, "Journal of Business Ethics", 16, pp. 855–865. DOI: https://doi.org/10.1023/A:1006261412704.

Church B.K., Hannan R.L., Kuang X. (j.). (2013), *Information acquisition and opportunistic behavior in managerial reporting*, "Contemporary Accounting Research", 31(2), pp. 398–419. DOI: https://doi.org /10.1111/1911-3846.12036.

Clor-Proell S. M., Kaplan S.E., Proell Ch. (2015), *The impact of budget goal difficulty and promotion availability on employee fraud*, "Journal of Business Ethics", 131, pp. 773–790. DOI: https://doi.org /10.1007/s10551-013-2021-7.

Collins J., Jarvis R. (2000), *How owner-managers use accounts*, The Institute of Chartered Accountants in England & Wales, London, pp. 1–93.

Conceptual Framework for Financial Reporting (2018), International Accounting Standards Board, IFRS Foundation, pp.1–88.

Craft J.L. (2013), *A review of the empirical decision-making literature: 2004-2011*, "Journal of Business Ethics", 117, pp. 221–259. DOI: https://doi.org/10.1007/s10551-012-1518-9.

Davis S., DeZoort F.T., Kopp L.S. (*2006*), *The Effect of Obedience Pressure and Perceived Responsibility on Management Accountants' Creation of Budgetary Slack*, "Behavioral Research in Accounting", 18(1), pp. 19–35. DOI: https://doi.org/10.2308/bria.2006.18.1.19.

De Baerdemaeker J., Bruggeman W. (2015), *The impact of participation in strategic planning on managers' creation of budgetary slack: the mediating role of autonomous motivation and affective organizational commitment,* "Management Accounting Research", 29, pp. 1–12. DOI: https://doi.org /10.1016/j.mar.2015.06.002.

Denison Ch.A. (2009), *Real options and escalation of commitment: a behavioral analysis of capital investment decisions*, "The Accounting Review", 84 (1), pp. 133–155. DOI: https://doi.org /10.2308/accr.2009.84.1.133.

Douglas P.C., Wier B. (2000), *Integrating ethical dimensions into a model of budgetary slack creation*, "Journal of Business Ethics", 28, pp. 267–277. DOI: https://doi.org/10.1023/A:1006241902011.

Eisenhardt K.M. (1989), *Agency Theory: an assessment and review*, "Academy of Management Review", 14(1), pp. 57–74. DOI: https://www.jstor.org/stable/258191.

Eisenhardt K.M. (1990), *Speed and strategic choice: how managers accelerate decision making*, "California Management Review", 32, pp. 533–576.

Ford R.C., Richardson W.D. (1994), Ethical decision making: a review of empirical literature, "Journal of Business Ethics", 13 (3), pp. 205–221.

Forsyth D.R. (1980), *A taxonomy of ethical ideologies*, "Journal of Personality and Social Psychology", 39 (1), pp. 175–184. DOI: https://doi.org/10.1037/0022-3514.39.1.175.

Forsyth D.R. (1985), *Individual differences in information integration during moral judgment*, "Journal of Personality and Social Psychology", 49 (1), pp. 264–272. DOI: https://doi.org/10.1037/0022-3514.49.1.264.

Forsyth D.R. (1992), *Judging the morality of business practice: the influence of personal moral philosophies*, "Journal of Business Ethics", 11, pp. 461–470. DOI: https://www.jstor.org/stable/25072294.

Greenfield A.C., Norman C.S., Wier B. (2008), *The effect of ethical orientation and professional commitment on earnings management behavior*, "Journal of Business Ethics", 83, pp. 419–434. DOI: https://doi.org/10.1007/s10551-007-9629-4.

Ho J.L., Vera-Munoz S.C. (2001), *Opportunism in capital budget recommendations: the effect of past performance and its attributions*, "Decision Sciences", 32(3), pp. 473–497. DOI: https://doi.org/10.1111/j.1540-5915.2001.tb00968.x.

Huang Ch.-L., Chang B.-G. (2010), *The effects of managers' moral philosophy on project decision under agency problem conditions*, "Journal of Business Ethics", 94, pp. 595–611. DOI: https://www.jstor.org/stable/40784860.

Huang Ch.-L., Tsai J.-L. (2015), *Managerial morality and philanthropic decision-making: a test of an agency model*, "Journal of Business Ethics", 132, pp. 795–811. DOI: https://doi.org/10.1007/s10551-014-2338-x.

Jensen M.C., Meckling W.H. (1976), *Theory of the firm: managerial behavior, agency cost and ownership structure*, "Journal of Financial Economics", 3, pp. 305–360. DOI: https://doi.org/10.1016/0304-405X(76)90026-X.

Kaen F.R., Kaufman A., Zacharias L. (1988), *American Political Values and Agency Theory: A perspective*, "Journal of Business Ethics", 7, pp. 805–820. DOI: https://www.jstor.org/stable/25071841.

Libby R., Bloomfield R., Nelson M.W. (2002), *Experimental research in financial accounting*, "Accounting, Organizations and Society", 27, pp. 775–810. DOI: https://doi.org/10.1016/S0361-3682(01)00011-3.

Libby R., Rennekamp K.M., Seybert N. (2015), *Regulation and the interdependent roles of managers, auditors, and directors in earnings management and accounting choice*, "Accounting, Organizations and Society", 47, pp. 25–42. DOI: https://doi.org/10.1016/j.aos.2015.09.003.

Lukka K. (1988), *Budgetary biasing in organizations: theoretical framework and empirical evidence*, "Accounting, Organizations and Society, 13, pp. 281–301. DOI: https://doi.org/10.1016/0361-3682(88)90005-0.

Maas V.S., Mate'jka M. (2009), *Balancing the Dual Responsibilities of Business Unit Controllers: Field and Survey Evidence*, "The Accounting Review", 84 (4), pp. 1233–1253. DOI: https://doi.org/10.2308/accr.2009.84.4.1233.

Marques P.A., Azevedo-Pereira J. (2009), *Ethical ideology and ethical judgments in the Portuguese accounting profession*, "Journal of Business Ethics", 86, pp. 227–242.

Marshall R.L., Armstrong R.W., Smith M. (1998), *The ethical environment of tax practitioners: Western Australian Evidence*, "Journal of Business Ethics", 17, pp. 1265–1279. DOI: https://www.jstor.org/stable/25073960.

McSweeney B. (1997), *The unbearable ambiguity of accounting*, "Accounting, Organizations and Society, 22, pp. 691–712. DOI: https://doi.org/10.1016/S0361-3682(96)00039-6.

O'Fallon M.J., Butterfield K.D. (2005), *A review of the empirical ethical decision-making literature: 1996-2003*, "Journal of Business Ethics", 59, pp. 375–413. DOI: https://doi.org/10.1007/s10551-005-2929-7.

O'Fallon M.J., Butterfield K.D. (2011), *Moral differentiation: exploring boundaries of the "Monkey see, monkey do" perspective*, "Journal of Business Ethics", 102, pp. 379–399. DOI: https://doi.org/10.1007/s10551-011-0820-2.

Reidenbach R.E., Robin D.P., *Toward the development of a multidimensional scale for improving evaluations of business ethics*, "Journal of Business Ethics", 9, pp. 639–653. DOI: https://doi.org/10.1007/BF00383391.

Ross S.A. (1973), *The economic theory of agency: the principal's problem*, "Decision Making under Uncertainty", 63 (2), pp. 134–139. DOI: https://www.jstor.org/stable/1817064.

Rutledge R.W., Karim K.E. (1999), *The influence of self-interest and ethical considerations on managers' evaluation judgments*, "Accounting, Organizations and Society", 24, pp. 173–184. DOI: https://doi.org/10.1016/S0361-3682(98)00027-0.

Schatzberg J.W., Douglas E. Stevens D.E. (2008), *Public and Private Forms of Opportunism within the Organization: A Joint Examination of Budget and Effort Behavior*, "Journal of Management Accounting Research", 20 (1), pp. 59–81. DOI: https://doi.org/10.2308/jmar.2008.20.1.59.

Solomon I., Trotman K.T. (2003), *Experimental judgment and decision research in auditing: the first 25 years of AOS*, "Accounting, Organizations and Society", 28, pp. 395–412. DOI: https://doi.org/10.1016/S0361-3682(02)00023-5.

Trotman K.T., Tan H.C., Ang N. (2011), *Fifty-year overview of judgment and decision-making research in accounting*, "Accounting and Finance", 51, pp. 278–360. DOI: https://doi.org/10.1111/j.1467-629X.2010.00398.x.

Turner M.J., Coote L.V. (2017), *Discrete choice experiments: a research agenda for experimental accounting*, "Meditari Accountancy Research", 25, pp. 158–182. DOI: https://doi.org/10.1108/MEDAR-07-2016-0068.

Watson G.W., Freeman R.E., Parmar B. (2008), *Connected moral agency in organizational ethics*, "Journal of Business Ethics", 81, pp. 323–341. DOI: https://www.jstor.org/stable/25482217.

Webb R.A. (2002), *The impact of reputation and variance investigations on the creation of budget slack,* "Accounting, Organizations, and Society", 27, pp. 361–378. DOI: https://doi.org/10.1016/S0361-3682(01)00034-4.

Westra L.S. (1986), *Whose "Loyal Agent"? Towards an ethics of accounting*, "Journal of Business Ethics", 5, pp. 119–128. DOI: https://www.jstor.org/stable/25071562.

Woodbine G.F., Taylor D. (2006), *Moral choice in an agency framework: the search for a set of motivational typologies*, "Journal of Business Ethics", 63, pp. 261–277. DOI: https://www.jstor.org/stable/25123708.

Yetmar S., Cooper R., Frank G. (1998), Ethical issues facing CPA tax practitioners, "The CPA Journal", 68 (10), pp. 28–33.