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Application of Ethics in the Accounting Profession with an Overview of the Banking Sector

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Abstract: This paper aims to investigate the readiness of the accounting community in Montenegro to implement the Code of Ethics for Professional Accountants.

Also, the aim of this paper is to present the existing situation in the accounting profession in Montenegro, especially when it comes to the regulatory environment, in terms of whether it represents an incentive or limitation for the application of the latest ethical standards in the accounting profession.

In modern business conditions, the relationship between ethics and business becomes the subject of research by numerous experts. The accounting profession took on itself the great responsibility to provide financial information to the public through professional accountants. Professional accountants are daily influenced by the challenges of the accounting profession.

In the accounting profession, ethical problems involve two difficulties that are interconnected. One relates to the question of the nature of the accounting information in terms of whether it is a private or public good, and the other arises from asymmetrically distributed accounting data between those who benefit from the company's business.

Keywords: professional ethics, accounting profession, professional accountant, ethics of managing accountants

JEL classification number: G000, G210.

Introduction

Compliance with professional and legal regulations is not a sufficient guarantee for ensuring quality of financial reporting. At this point we recognize the incapable role of ethical behaviour in the process of providing desired quality.

Among other things, a common lack of ethics is common to all investigations in the area of accounting and auditing. They dealt with accounting fraud as a result of a direct violation of legal and professional regulations. In these circumstances, the situation is all the more simple, as the consequences for the participants in these processes are clear. It seems to us that the situation is complex when accounting manipulations arise as a result of the abuse of inconsistency of the relevant regulation or the flexible interpretation of the existing norms in order to achieve benefits for certain interest groups. Formal stay within the framework of regulations, concealment of inadequate application of accounting principles, fundamental violation of the spirit of law, and a sharp conflict with elementary ethical standards are causing such a practice.

In general, ethics can be understood as a set of certain moral norms that determine how individuals and institutions behave in the conduct of their activities. In this context, ethics in accounting could be presented as a set of widely accepted moral norms and values that serve professional accountants as guides in the process of ensuring the comparative quality of financial reporting. Laws, that is, professional and legal regulations in accounting represent minimum standards of acceptable behaviour. It is not, however, sufficient to just observe the law, more responsibility must be accepted in this process. Ethics goes beyond the law and covers all those situations that are not covered by legal and professional norms, all those unclear cases, and so on. (Mintz & Morris, 2008). Ethical behaviour standards narrow the space for activities that are not in line with moral standards.

Ethics, both in other areas and in accounting, is often reduced to the ability to recognize what is good and what is bad. The fact is that there are many things in the business world that are known, without knowing the specially developed professional norms, that they are good or bad in themselves. In this context, accountants face different pressures: to show non-realized revenues, capitalize expenditures that must be recognized as the expense of the period, underestimate the result in order to reduce tax benefits, miss some posts, etc. These are dramatic demands, but they are not ethically challenged. Everything is clear here. Such decisions are unlawful and unethical.

Literature review

When drafting the research, I have encountered different challenges, bearing in mind that the implementation of the Code of Ethics has not been sufficiently implemented in Montenegro so far, and that there is very little research in countries where the application of this standard has not been adopted in any form. In addition, most of the companies in Montenegro are small legal entities, which do not raise the question of the application of the Code of Ethics, and whether compliance is particularly emphasized. However, no matter what kind of business organization it is, the conclusions and general assessments presented remain as current, with further conclusions regarding such focused issues implicating additional argumentation and research.

The field of accounting ethics encompasses the ways in which data are collected and researched, their analytical breakdown, preparation of financial reports and their final distribution to users (Krkač et al, 2011). Each of the mentioned areas is equally demanding, and it is necessary to have a large amount of knowledge, continuously improving, as all these areas are subject to changes in legislation.

The basic principles of ethics of professional accountants are objectivity, integrity, professional competence, confidentiality, and professional behaviour (Malinić, 2011).

The International Federation of Accountants (IFAC) was founded in 1977 and today it represents about 3 million accountants from various fields of business from 129 countries around the world.¹ In order to provide reliable and transparent information and to protect the public interest, the International Federation of Accountants prescribes the necessary knowledge, professional values, attitudes and ethics of the accounting profession at the international level.

At the end of the twentieth century, the IFAC developed the Code of Ethics for Professional Accountants within the framework of its work through the International Ethics Standards Board for Accountants (IESBA). The basis for the development of this Code was the Code of Professional Conduct of the American Institute of Certified Public Accountants (AICPA).²

¹ Handbook of Code of Ethics for Professional Accountants, 2013, New York International Ethics Standard Board for Accountants (www.ifac.org)

² This association carries out certification of accountants and auditors in authorized public accountants and their continuous professional development)

The professional behaviour of accountants avoids any action that discredits the profession and is in line with relevant laws and rules (Nicolaescu & Pantea Mioara, 2008). These rules are commonly written in the Code of Professional Ethics and all of them primarily emphasize moral standards in behaviour (Žager & Dečman, 2015). Therefore, a professional accountant must have a high degree of professional integrity. Professional accountants have ethical responsibility to gain specialist knowledge before offering their professional services, to constantly improve their knowledge and to have a mental attitude to serve the public the best they can (Jamnik, 2011). The education and practical experience of professional accountants should provide the basis of professional knowledge and skills and professional values, ethics and attitudes that will enable them to continuously learn and adapt to changes during their professional work (Tušek, 2015).

When it comes to similar research at the global level, the professional behaviour of accountants in the function of ethics has been the subject of research by many relevant authors. (Higgs-Kleyn & Kapelianis, 1999) investigate the regulation of the ethical behaviour of South African professional accountants and suggest that professional accountants believe that the Code of Professional Conduct is necessary and that it is important that it is properly created and implemented. (Jackling, Cooper, Leung, & Dellaporta, 2007) examine the views of members of the IFAC on ethical issues, the causes of ethical failure and the role of the profession in ethical education. The results showed that, in practice, accountants are most affected by the conflict of interest. The research creates key ethical risks: own interest, failure to maintain objectivity and independence, inadequate leadership, lack of ethical courage and ethical sensibility, failure of professional assessment, poor organizational culture. Intercultural differences among Western European countries in their research, (Arnold, Bernardi, Neidermeyer, & Schmee, 2007), relate to the sensitivity of individuals to ethical dilemmas and indicate that there is an effect of a country's culture in the implementation of codes of conduct and the perception of ethical behaviour. Due to cultural differences around the world, a significant percentage of national accounting organizations have decided to retain national specific codes of conduct instead of adopting the IFAC Code as their own (Clements, Neill, & Stovall, 2009).

Application of ethics

Interpretation by accountants in the process of preparing and presenting financial statements for the benefit of others implicitly imply the fulfilment of high ethical standards. Recognizing the size and seriousness of the problem, the accounting profession, like many others, has established the Code of Ethics for Pro-

fessional Accountants, adopted by the International Ethics Standards Board for Accountants obliging member organizations of IFACs and companies not to apply standards that are less demanding than those prescribed by this document. The key ethical requirements for professional accountants are identified therein which ensure respect for the basic principles of professional ethics. These are: integrity (requires fair conduct and honesty), objectivity (insisting on impartiality and professional business judgment), professional competence and due care (emphasis on maintenance and improvement of professional knowledge, dedication and attention in providing services to clients), confidentiality (obliges one to refrain from disclosing confidential information and their use for the acquisition of personal or benefits to third parties), and professional behaviour (it implies compliance with legal and professional regulations and the avoidance of all activities that may discredit the profession). Professional accountants are required to recognize threats of possible violation of the said principles and to apply safeguards if such threats exist to ensure compliance with the underlying principles.

Respecting professional, legal and ethical standards of accounting behaviour in making various decisions implies that professional accountants have characteristics that allow for the existence of ethical capacity. In doing so, ethical capacity reflects the ability of ethical judgment and decision-making. The Josephson Institute of Ethics identified six pillars of character that provide the basis for moral decision-making by professional accountants. These are: 1) trustworthiness, which includes sincerity, kindness, competence, dignity, independence, tolerance and acceptance, 3) responsibility, which means expressing a certain level of care and diligence in what we do, 4) fairness, which presupposes the treatment of all people in the same way, impartially and openly, 5) caring for the ability to understand the interests and problems of others, and 6) the duty of a good citizen, which implies behaviour as a good community member (Mintz & Morris, 2008).

Ethical and non-ethical behaviour in banking

The current financial crisis testifies that numerous banking products were or are still destructive, not productive, and that the financial market is still overloaded (both financial service providers and financial products themselves), excessively mediating (in terms of the existence of numerous levels of mediation), too complex in the content of the offered products and ultimately underdeveloped in the part of protecting users of financial services (Wehinger, 2012).

The results of the 2012 survey on deforestation of unethical and/or criminal activities in the financial services industry are also defeating. The survey covered

500 employees of this activity in the United States and the United Kingdom, of which approximately 26% of respondents confirmed that they saw some forms of misdoing business tasks; 24% expressed the view that financially employed workers must engage in unethical or illegal actions if they want to be successful; 16% said they would be ready for criminal acts like abusing privileged information for the purpose of trading, if they could go unpunished; 39% believe that their competitors also engage in illegal and unethical actions, otherwise they would not be successful; For 30% of respondents, various forms of compensation and bonus created pressure for compromising or unlawful actions, while 23% of respondents said that other forms of pressure were used, which affected employees' decision to take such actions.

Fraud, gambling and scandals within the banking industry have raised the level of awareness and have contributed to the creation of demand for banks that have more conscience and self-control in their financial appetites, although certain scepticism does not circumvent the possibility of applying the concept of socially responsible and ethical banking in practice. Therefore, the emergence of devastating financial and economic crises can be considered as the driving force of revitalization and reaffirmation of the idea and practice of socially sensitive banking. (Benedikter, 2011) thus concludes that European ethical banks are the absolute winners of the crisis, given that they have grown on average over 20% a year and have doubled their assets in the period from 2007 to 2010. Namely, among the bank's clientele, there is a growing belief that ethical banks are less speculative and egoistic institutions, more responsible and more focused towards the community in their business, in comparison with traditional banking concepts, which are therefore exposed to a serious reputation risk.

If recent ecological catastrophes and obvious environmental pollution are added to the internal and external activities of the bank, apart from profit, they should also take into account the effects that they have on nature and society, which is in the literature unified through the abbreviation 3P (people - planet - profit). Nevertheless, it should be emphasized that, already in the beginning of the last century, ethical banks and various heterogeneous savings institutions with ethical principles of business were established in Europe, beginning with the data of the European Federation of Ethical and Alternative Banks and Financiers (FE-BEA) many of which exist today. Ethical banking is not so much a novelty in some Anglo-Saxon countries, such as Canada and the United Kingdom, since according to the data of international ethical associations, ethical banks in those countries were established in the 1940s, with some exceptions during the Great Depression. However, ethical banking is relative news in the United States, where such banks have only been more significant for the past 15 years, especially after

the breakdown of financial markets in 2007/2008, while the largest number of ethical banks in the economy have survived. In addition to enormous practical significance, scientific occupation with the issues of sustainable, socially responsible and ethical banking is confirmed by several recent books (titles) in this field, such as: *Social Banking and Social Finance: The Answers to the Economic Crisis* (Benedikter, 2011), *Responsible Investment in Times of Turmoil* (eds. Vandekerckhove et al., 2011). Local authors have so far mostly dealt with social responses to banking (Leko & Stojanovic, 2007) (Kundid & Rogošić, 2011); (Kundid A. , 2012)), and less ethics in banking. Nevertheless, the announcement of the establishment of the first ethical bank in the Republic of Croatia opened questions about the content and sustainability of the concept of ethical banking and the differences between ethical banking and conventional banking concepts.

Considering the integration of environmental and wider social objectives into banking business, that is, the importance of environmental and social outputs from banking activities against financial results, there are:

- socially responsible banking, and
- ethical banking.

Unfortunately, instead of ethical banking, the term social or sustainable banking is used. Socially responsible banking is reflected in the internal aspects of banking business and in products or financial services as an external aspect of banking activities.

Methodology of empirical research

Since professional accountants face complex challenges and today's business and professional environment, pressures for ethical behaviour of accountants are increasing. The main issues faced by the accounting profession today are whether the desire for money is what the accountants are pushing into manipulative actions and whether the ethics are strong enough to prevent it. Abernethy, Bouwens, and Van Lent questioned whether accounting manipulation was more or less dependent on ethical values. Their results have shown that the license of ethical work reduces the occurrence of accounting manipulations and that ethical values play a really important role in practice.

Han Fan, Woodbine, and Cheng investigated the views of Chinese and Australian accountants on the Code of Professional Ethics. The results of the survey showed that, regardless of the cultural background, the subjects tested support

the ethics code and that the common view that independence of opinion can be achieved by independence and objectivity is to avoid conflicts of interest with clients and avoid a close relationship with clients.

Before we go to our case study, we will analyse the situation in the region. Thus, for example, the professional behaviour of accountants in Bosnia and Herzegovina was investigated by (Kurtanović, Mušibegović, & Kadić, 2014), pointing out to the problems of the accounting profession, which are that services are often provided without elementary professional knowledge, without knowing the professional standards and skills; the structure of those providing accounting services is very a shadow from low skilled bookkeepers to highly educated professionals, the profession of a certified accountant is substantially underestimated. They conclude that regulated professions are needed and that problems can be solved by prescribing qualifications.

Accountants in Serbia face similar problems. The problem with unqualified accountants in Croatia is indicated by (Gulin, Milčić, & Bakran, 2015). They state that there is no special regulation of the issue of accounting profession through the chamber of accountants or through certain other public bodies, and that there is insufficient institutional support and insurance. In Montenegro, there are several institutes and chambers in the area of accounting and auditing, only the Institute of Certified Accountants of Montenegro by the Government of Montenegro has received a Regulation on Transfer of Public Authorizations in the Field of Accounting and Auditing for a full affirmation in Montenegro.

So, teaching ethics does not mean that someone will behave ethically. Ethics is an important requirement in the profession, but ethical education is not.

Based on a review of previous research, and according to available information, there are no papers that investigate the influence of knowledge of the Code of Ethics for professional accountants on ethical behaviour, that is, on integrity and professionalism of accountants.

Analysis of the results of the conducted professional research behaviour in the function of achieving ethical standards

To the questions about professional behaviour in certain situations, the accountants responded by choosing the offered answer presented in the following graphs on the ordinate axis, while the frequency of each of the five responses presented is shown in absolute numbers with each answer (on a scale of 1 to 5). It should be

emphasized that not all respondents answered all the questions, and the number of observations varies slightly (± 1). Empirical research was conducted through online surveys. The poll was created on the Google-docs platform and sent to 196 electronic addresses. By looking at the previous research ((O'Dwyer & Madden, 2006); (Smith & Hume, 2005); (Spalding & Oddo, 2011)), a questionnaire was created consisting of three parts:

- Issues related to the professional conduct of accountants. Each offered statement was evaluated on the Likert scale from 1 to 5, with 1 - "I completely disagree", 2 - "I mostly disagree", 3 - "I do not agree or disagree", 4 - "mainly I agree" and 5 - "I completely agree";
- Personal experiences in the field of ethical behaviour of accountants as well as knowledge of the Code of Ethics for professional accountants whose answers are also defined by Likert's scale;
- A set of questions of demographic type.

The data collected were statistically processed using two programs: SPSS 17.0 and MS Excel. The results are explained on the basis of results of descriptive statistics. The results are presented in figures 1 and 2.

Figure 1 shows that 33% of respondents completely disagree with compromising their own principles in order to adjust to the expectations of the organization, while 12 (22%) generally agree that compromise is needed. 18% of respondents do not have a clear opinion about this (they neither agree nor disagree), 15% completely agree, and 13% generally disagree with the above. Honesty does not mean just honesty but also fairness and truthfulness that is tested by another issue, and the results are shown in Figure 2. Even 80% of the respondents completely disagree that the superiors seek support from employees for others' ethically improper thoughts.

Figure 1: Compromising principles

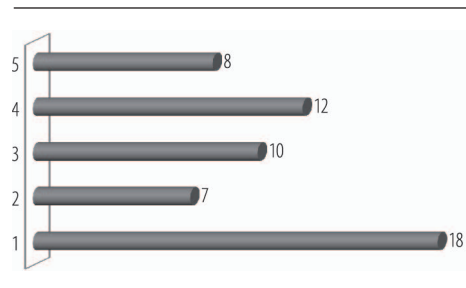
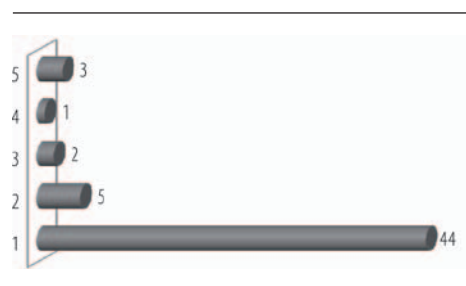
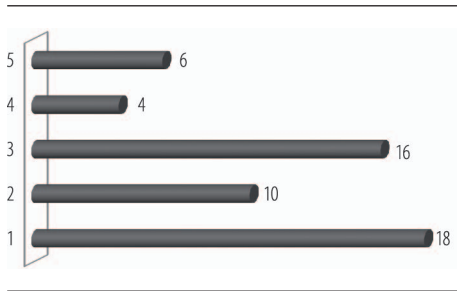
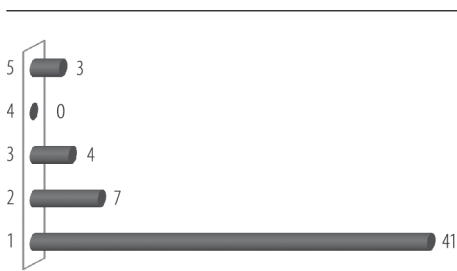


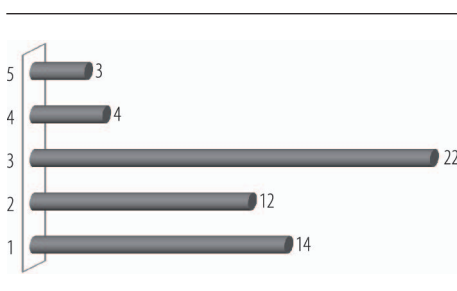
Figure 2: Honesty



Source: O'Dwyer, B. and Madden, G. (2006), Ethical Codes of Conduct in Irish Companies: A Survey of Code Content and Enforcement Procedures, *Journal of Business Ethics*

Figure 3: Objectivity - others' activities**Figure 4: Conflict of interest**

Source: O'Dwyer, B. and Madden, G. (2006), Ethical Codes of Conduct in Irish Companies: A Survey of Code Content and Enforcement Procedures, *Journal of Business Ethics*

Figure 5: Objectivity

Source: O'Dwyer, B. and Madden, G. (2006), Ethical Codes of Conduct in Irish Companies: A Survey of Code Content and Enforcement Procedures, *Journal of Business Ethics*

Accountants have very differently responded to the question of non-neglecting other people's activities if it is in the interests of the organization, which tested the principle of objectivity. 33% of respondents completely disagree about the fact that the employee should not be obeyed, 19% mostly disagree, 30% either disagree or agree, 7% generally agree, and only 11% fully agree (Figure 3). On the basis that there is nothing bad for the superiors to ask the employee to make changes to the documents or documents, 3 out of 55 respondents (i.e. 5% of respondents) fully agree, while as many as 75% of accountants do not completely agree as evidenced by Figure 4.

With the statement that it is sometimes acceptable that an employee does not tell the truth to a client (customer) in order to protect the organization, 13 (24%) accountants completely disagree, and mostly disagree with them 19 (35%), as shown in Figure 5.

Based on the foregoing in the previous chapters, the importance of implementing the Code of Ethics for Professional Accountants in Business Practice is clear. A number of studies testify to the purpose of the application of the code of ethics in the business (Cohen, Pant, & Sharp, 1992); (Klemm Verbos, Gerard, Forshey, Harding, & Miller, 2007); (O'Dwyer & Madden, 2006); (Smith & Hume, 2005); (Spalding & Oddo, 2011)).

Systemic application of the code should result in moral business decisions and ethical behaviour of employees (Klemm Verbos, Gerard, Forshey, Harding, & Miller, 2007, p. 12)).

Empirical research in Montenegro

The Code of Ethics for Professional Accountants provides a conceptual framework according to which an accountant could identify and assess threats to basic principles and make recommendations on how to take them in such situations (Togoe & Avram, 2013, p. 134). It can therefore be assumed that those accountants who are well aware of the provisions of the Code are in position to act ethically.

By examining the above mentioned studies, two hypotheses have been singled out:

1. A company has a code of ethics
2. The implementation of the code depends on the size and activities of the legal entity.

In this part of introduction of the sample, we will present its structure according to the type, activity and size of the company.

Table 1: Questionnaire profile

The company in which you are employed					
		Frequency	Percent	Valid Percent	Cumulative percent
Valid	Bank	5	6,0	6,0	6,0
	Public institution	8	9,6	9,6	15,7
	Other	37	44,6	44,6	60,2
	Insurance company	5	6,0	6,0	66,3
	Production	10	12,0	12,0	78,3
	Commercial	18	21,7	21,7	100,0
	In Total	83	100,00	100,00	

Almost half of the respondents (44.6%) are employed in other societies predominantly in limited liability companies, followed by trade companies (21.7%) and manufacturing companies (12.0%). The smallest number of respondents is employed in banks (5.0%), as well as in insurance organizations (5.0%).

Table 2: Size overview

It belongs to the group					
		Frequency	Percent	Valid Percent	Cumulative percent
Valid	Small business	50	60,2	60,2	60,2
	Medium business	20	24,1	24,1	84,3
	Big company	13	15,7	15,7	100,0
	In total	83	100,0	100,0	

The largest number of respondents are employed in small legal entities (60.2%), followed by medium-sized legal entities (24.1%) and large legal entities (15.7%). The mentioned representation of legal entities by size in the sample corresponds to the structure of legal entities by size in Montenegro.

In this respect, the structure of legal entities by size is extremely important, especially given their different role in the implementation of the Code of Ethics.

Table 3: Perceptions of respondents on the Code of Ethics

3. Do you consider that business ethics is a necessary subject for faculty education

		Frequency	Percent	Valid Percent	Cumulative percent
Valid	Yes	71	85,5	85,5	85,5
	No	2	2,4	2,4	88,0
	I'm not sure	10	12,0	12,0	100,0
	In total	83	100,0	100,0	

Table 4: Current situation in application of code of ethics

4. The company in which I work has a code of ethics

		Frequency	Percent	Valid Percent	Cumulative percent
Valid		1	1,2	1,2	1,2
	Yes	51	61,4	61,4	62,7
	No	24	28,9	28,9	91,6
	I'm not sure	7	8,4	8,4	100,0
	In total	83	100,0	100,0	

The majority of respondents answered that they have a code of ethics (61.4%), followed by respondents' answers that they do not possess a code of ethics (28.9%) and are not sure (8.4%).

Table 5: Compliance with code of ethics

4. Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting

		Frequency	Percent	Valid Percent	Cumulative percent
Valid		2	2,4	2,4	2,4
	Yes	66	79,5	79,5	81,9
	Partly	13	15,7	15,7	97,6
	Not	2	2,4	2,4	100,0
	In total	83	100,0	100,0	

The majority of respondents answered that they adhered to the Code of Ethics (79.5%), followed the responses to partially adhere (15.7%) and did not comply (2.4%).

The cross-table shows the extent to which companies have a code of ethics, viewed from the aspect of activity.

Table 6: Implementation of code of ethics per type of institution

1. The company in which you are employed is: * 4. The company in which I work, has the Code of Ethics?

			The company in which I work has a code of ethics?				
			Yes	No	I'm not sure	Total	
The company in which you are employed is:	Bank	Count	0	5	0	0	5
		% within 1 The company in which you are employed is:	0,0%	100,0%	0,0%	0,0%	100,0%
		% within 4 The company in which I work has a code of ethics?	0,0%	9,8%	0,0%	0,0%	6,0%
	Budget institution	Count	0	6	0	2	8
		% within The company in which you are employed is	0,0%	75,0%	0,0%	25,0%	100,0%
		% within The company in which I work has a code of ethics	0,0%	11,8%	0,0%	28,6%	9,6%
	Other	Count	0	24	10	3	37
		% within 1 The company in which you are employed is:	0,0%	64,9%	27,0%	8,1%	100,0%
		% within 4 The company in which I work has a code of ethics?	0,0%	47,1%	41,7%	42,9%	44,6%
	Insurance organization	Count	0	3	2	0	5
		% within 1 The company in which you are employed is:	0,0%	60,0%	40,0%	0,0%	100,0%
		% within 4 The company in which I work has a code of ethics?	0,0%	5,9%	8,3%	0,0%	6,0%
	Production	Count	0	4	6	0	10
		% within 1 The company in which you are employed is:	0,0%	40,0%	60,0%	0,0%	100,0%
		% within 4 The company in which I work has a code of ethics?	0,0%	7,8%	25,0%	0,0%	12,0%
	Commercial	Count	1	9	6	2	18
		% within 1 The company in which you are employed is:	5,6%	50,0%	33,3%	11,1%	100,0%
		% within 4 The company in which I work has a code of ethics?	100,0%	17,6%	25,0%	28,6%	21,7%
Total	Count		1	51	24	7	83
	% within 1 The company in which you are employed is:		1,2%	61,4%	28,9%	8,4%	100,0%
	% within 4 The company in which I work has a code of ethics?		100,0%	100,0%	100,0%	100,0%	100,0%

Data in table 6 point to the conclusion that the majority of companies that own the Code of Ethics come from trade industry. Likewise, within the analysis, data for one respondent are missing. However, given the fact that it is negligible for a small number of missing data, their exclusion from analysis or imputation is not one of the possibilities for estimating missing data.

In the following procedure, through the Chi- square test of independence, it was investigated whether there is a statistically significant link between the indicators presented.

Table 7: Results of statistical test

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6,956 ^a	6	,325
Likelihood ratio	7,879	6	,247
N of Valid Cases	83		

a. 7 cells (58,3%) have expected count less than 5. The minimum expected count is 16.

In this case, the results of the Hi-square test of independence show that the value of 0.325 is greater than the alpha value of 0.05, and therefore we can conclude that our result is not statistically significant.

Furthermore, we have investigated to what extent companies have a code of ethics, viewed from the aspect of size.

Table 8: Implementation of code of ethics per size of institution**2. It belongs to the group: * 4. The company I work in, has the Code of Ethics?**

			The company in which I work has a code of ethics?				
			Yes	No	I'm not sure	Total	
It belongs to the group	Small business	Count	1	31	15	3	50
		% within 2 It belongs to the group	2,0%	62,0%	30,0%	6,0%	100,0%
		% within 4 The company in which I work has a code of ethics	100,0%	60,8%	62,5%	42,9%	60,2%
	Medium business	Count	0	9	8	3	20
		% within 2 It belongs to the group	0,0%	45,0%	40,0%	15,0%	100,0%
		% within 4 The company in which I work has a code of ethics	0,0%	17,6%	33,3%	42,9%	24,1%
	Big company	Count	0	11	1	1	13
		% within 2 It belongs to the group	0,0%	84,6%	7,7%	7,7%	100,0%
		% within 4 The company in which I work has a code of ethics	0,0%	21,6%	4,2%	14,3%	15,7%
Total		Count	1	51	24	7	83
		% within 2 It belongs to the group	1,2%	61,4%	28,9%	8,4%	100,0%
		% within 4 The company in which I work has a code of ethics	100,0%	100,0%	100,0%	100,0%	100,0%

The above data point to the conclusion that the majority of companies that own the Code of Ethics are small legal entities, which is primarily conditioned by the fact that the number of respondents in this group is significantly higher than in the others. However, it is interesting that, according to the structure, the largest percentage of companies that own the Code of Ethics are large legal entities (84.6). This can be explained first of all by the fact that it is a company itself that is the leader in internal accounting regulations.

Also, within the analysis, data for one respondent is missing. However, given the fact that it is negligible for a small number of missing data, their exclusion from analysis or imputation is not one of the possibilities for estimating missing data.

Finally, we will try to determine whether compliance with the Code of Ethics varies significantly depending on the size of the legal entity in which the respondents are employed.

Table 9: Compliance with code of ethics per size of institution

2. It belongs to the group: * 4. Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting			Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting				
			Yes	Partly	Not	Total	
It belongs to the group	Small business	Count	1	40	8	1	50
		% within 2 It belongs to the group	2,0%	80,0%	16,0%	2,0%	100,0%
		% within 4 Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting	50,0%	60,6%	61,5%	50,5%	60,2%
	Medium business	Count	1	15	3	1	20
		% within 2 It belongs to the group	5,0%	75,0%	15,0%	5,0%	100,0%
		% within 4 Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting	50,0%	22,7%	23,1%	50,0%	24,1%
	Big company	Count	0	11	2	0	13
		% within 2 It belongs to the group	0,0%	84,6%	15,4%	0,0%	100,0%
		% within 4 Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting	0,0%	16,7%	15,0%	0,0%	15,7%
Total	Count	2	66	13	2	83	
	% within 2 It belongs to the group	2,4%	79,5%	15,7%	2,4%	100,0%	
	% within 4 Are you complying with the principles of the Code of Ethics for professional accountants when conducting accounting	100,0%	100,0%	100,0%	100,0%	100,0%	

It is obvious that of the total number of respondents, those who adhere to the Code of Ethics, the largest percentage is employed in small legal entities (60%), which is primarily conditioned by the fact that the number of respondents in this group is significantly higher than the others. In terms of further deeper analysis, it is possible to observe the participation of those respondents who comply with the Code of Ethics at the level of each individual group in the sample. In this sense, it is obvious that within the structure of each group, about 80% of

the respondents adhere to the Code of Ethics. Similarly, the results of the Hi-square test of independence show that the value of 0.927 is greater than the alpha value of 0.05 and, therefore, we can conclude that our result is not statistically significant. Therefore, there are no significant differences regarding the compliance with the Code of Ethics regarding the size of the legal entity from which respondents come.

Table 10: Results of statistical test

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1,915 ^a	6	,927
Likelihood ratio	2,280	6	,892
N of Valid Cases	83		

a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .31.

Conclusion

Professional and legal regulations represent minimum standards of behaviour, not only professional accountants, but also all those who participate in the process of ensuring the quality of financial reporting. Ethics builds on them and provides signposts for the behaviour of all participants in the process. Since there is an important place within the accounting regulations for decisions that decisions are often made in situations where the rules are not clear enough and the line of delimitation between what is acceptable and what is not feasible is not always easy to withdraw, accounting is considered one of the most ethically demanding professions.

Since the chain of participants in the financial reporting process is long and there are important non-calculators in this chain, all participants in the process must adhere to the standards of ethics in accounting. Hence ethical challenges in the process of ensuring the quality of financial reporting stand in front of professional accountants, management, auditors, legislative and regulatory bodies, majority owners, financial and legal advisers and politicians. In this context, academic accountants also have a significant responsibility to play an important role in improving the quality of education, promoting the profession, and restoring lost trust.

The IFAC has long recognized that the key way of protecting the public interest is to develop, promote and impose internationally recognized standards as a means

of ensuring the reliability of information that is dependent on investors and other shareholders.

Regardless of the rules of conduct described in the Code of Professional Ethics, it is most important that a public accountant maintains an impartial relationship with management and all other persons who feel the consequences of the work of an authorized public accountant.

In any engagement, including those involving management, advisory and tax services, the authorized public accountant is prohibited to subordinate his professional opinion to the opinion of others.

When compiling financial statements, accountants influence their business performance and performance of the overall picture of the financial position of the company or institution.

Legal backgrounds are a good basis for behaviour within the legally permissible limits, but not enough. When making decisions, professional accountants should abide by legal, ethical and professional standards of conduct. Practical experience, additional training and specialization in appropriate areas enable accountants to contribute to better understanding and understanding of potential problems and their solving.

Accounting ethics should therefore be understood as a process of long-term focusing on basic values and abilities of individuals rather than short-term strengthening of reputation, trust, and personal satisfaction.

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