The Effect of Ethical Knowledge, Religiosity and Moral Reasoning on Accounting Student’s Perception of Creative Accounting Practices

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ABSTRACT

This study aims to know the effect of ethical knowledge, religiosity, and moral reasoning on the accounting student’s perception of creative accounting practices. The population uses accounting students of Yogyakarta State University (UNY) and Universitas Muhammadiyah Yogyakarta (UMY). The sample was 147 respondents. Data analysis is based on multiple linear regression analysis. The results showed that ethical knowledge positively influences the perception of accounting students regarding creative accounting practices, religiosity does not affect the perception of accounting students regarding creative accounting practices, and moral reasoning has a positive effect on accounting students' perceptions of creative accounting practices. Additional testing for different tests shows ethical knowledge has significant differences whereas religiosity and moral reasoning have no significant different between accounting student’s UNY and UMY.

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Kata Kunci
Pengetahuan Etika
Religiusitas
Moral Reasoning
Praktik Akuntansi Kreatif

ABSTRAK


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1. Introduction

Changes in accounting standards from US GAAP to IFRS have made accounting rules more flexible because IFRS-based accounting standards are based on principle-based. Based on Largay (2002) flexibility in accounting principles is one of the things that contributes to creative accounting. Creative accounting does not directly violate accounting standards but can cause misinterprets and misdirect users of financial statements in making decisions. Creative accounting is an ethical dilemma; then the assessment of student’s perceptions of the practice measures student’s ability to recognize and understand ethical issues.

The ethical acceptability of creative accounting has been debated for a long time. Based on Faragalla (2015) only 33% of respondents said that creative accounting is not allowed, and 56% of respondents said that creative accounting is allowed. Creative accounting has become a public concern due to the existence of accounting scandals in several companies and government institutions. The accounting scandal has tarnished the good name of the accountant profession, which can also lead to opinions and perceptions in accounting students as prospective accountants of the job in accounting. That perception will later become the consideration of accounting students in choosing work in the future.

The biggest case that happened was the Enron Corp scandal. Enron Corporation was formed in July 1985 through a merger of Houston Natural Gas and Intermouth, two natural gas pipeline companies. It was the 7th largest company in the country. The main function of this company was to facilitate the transportation of gas between producers and utilities. But in 2002, the company collapsed which was the outcome of creative accounting practices used by the company (Gupta, 2018). This case occurred because the managers of Enron Corp manipulated the financial statements by recording a profit of 600 million US dollars. Besides, this case was also compounded by the independence of the Public Accounting Firm (KAP) Arthur Andersen of Enron Corp. Arthur Andersen's Public Accountant Office was proven to have manipulated Enron Corp's financial statements and also destroyed important documents relating to the investigation of Enron Corp's bankruptcy (Comunale et al., 2006).

This study is to confirm a crucial gap in the existing character education literature. The research aimed to see the effectiveness of character education in reducing the desire to engage in creative accounting. This study compares the intentions of doing creative accounting between students at the university that implements character education and students in state universities that do not implement character education. This study also compares students' perceptions of doing creative accounting at state universities that implement character education and students at religious-based universities.

Based on research Revita & Mimin (2016) ethical knowledge influences the accounting student’s perceptions of accountant's unethical behavior. Ethical knowledge possessed by individuals will provide information relating to applicable ethical rules. Knowledge of Professional Ethics of the Accountant is information owned or known that is realized or not by someone about the framework of behavior that provides guidelines in acting to avoid various actions that can harm or damage one's image, in this case, the accounting profession. The code of ethics consists of rules which must be followed by every member of one profession. Therefore, knowledge of ethics is all the information possessed by students of accounting related to the ethical principles that apply in the accounting profession or code of ethics accountant.

Religiosity is a complex integration between knowledge, feelings, and religious behavior in humans (Jalaluddin, 2011). Religiosity and behavior is the consistency between belief in religion as a cognitive element, and the affective aspect is an attitude towards religion. A high level of student religiosity will increase ethical perceptions and have the potential to influence student behavior (Lau et al., 2013). The more religious a person is, they can control his behavior by avoiding unethical attitudes, strong religious beliefs are expected to prevent illegal conduct through feelings (Basri, 2015).

Morals are the same as ethics, namely the values and norms that become a guideline for a group or person in regulating his behavior. The attempt to solve moral problems using them with sound logic is called moral reasoning. In sound logic, a person must be able to solve existing problems before
deciding on the solution of what questions they will take. The ability of individuals to resolve dilemmas and be enhanced by moral levels (Febrianty, 2011).

Understanding the impacts of individual attribute on ethical perceptions of creative accounting is important because it makes us understand the mechanism to increase the ethical values of accountants. Examining the factors that influence the perceptions of ethical students will provide useful insights to educators and regulators.

2. Literature Review

2.1 Theory of Reasoned Action

The Theory of Reasoned Action (Ajzen & Fishbein, 1980) states that the individual performance of a given behavior is primarily determined by a person's intention to perform that behavior. According to the theory of reasoning, a person's behavior is determined by how they intend to behave. The two main factors determining this intention are the individual's attitude toward behavior and the influence of their social environment or subjective norms. Generally, a person will exhibit more valued and popular behavior with others. Conversely, someone will refrain from behaving that is not considered good and not popular with others (Sari & Sukirno, 2015). Uddin & Gillett (2002) tested the theory of the reasons for acting on the intention to commit fraud in financial reporting by the CFO. This study found that attitudes significantly influence the intention to commit fraud in financial reporting.

2.2 Creative Accounting

The term 'creative accounting' is used to describe the use of applied accounting techniques that allow companies to report financial statements by not accurately describing business conditions. Flexibility in accounting standards provides opportunities for manipulation and misstatement called creative accounting. The definition of creative accounting is a transformation of financial information using choices/methods, estimates, and accounting practices that are allowed by Accounting Standards (Amat & Gowthorpe, 2011).

Creative accounting is a game of financial numbers through creative accounting practices due to the relaxation of rules issued by IFRS. Creative accounting can be done through several methods (Comiskey & Eugene, 2010), including:

a. Accrual management is earnings manipulation through discretionary accrual manipulation. Discretionary accruals are accruals used to reduce or increase reported earnings in the financial statements by choosing an appropriate accounting policy to decrease or increase profits.

b. Real activity manipulation is defined as the act of overriding the ordinary operating activities of a company, which is motivated by management's desire to give a wrong understanding to the parties concerned. Such misconceptions regarding specific financial reporting are made as if they have been carried out through the company's standard operating activities.

c. Classification shifting is the misclassification of items in the income statement. Classification shifting can also be interpreted as shifting or changing core costs (cost of goods sold, sales costs, general and administrative costs) to particular items. The vertical movement of costs will not change bottom-line earnings (earnings), but this can make core costs overstatement.

2.3 Ethical Knowledge

Professional ethics agreed upon by members referred to as a code of ethics. The code of ethics consists of rules which must be followed by every member of one profession. Knowledge is all information that is owned or known consciously or not. Knowledge can also be obtained by someone through the observation of reason or the five senses. The knowledge referred to herein is related to ethical principles that apply in the accountant profession or accountant's code of ethics (Priambudi, 2014).
The knowledge possessed by each student is undoubtedly different. Upper-level students generally have broader and more adequate knowledge than lower-level students. The broader and more extensive knowledge students have about the ethical principles of the accountant profession can help them to provide perceptions and responses to creative accounting practices compared to students who have little knowledge of the ethics of the accounting profession.

Accountant Professional Ethics is a science that discusses human good and bad behavior as far as can be understood by the human mind for work that requires training and mastery of specific knowledge as an Accountant. The intended professional ethics is the Indonesian Accountant Code of Ethics prepared and approved by the Indonesian Institute of Accountants (IAI), which is the norm of behavior that regulates the relationship between public accountants and their clients, between public accountants and their colleagues and between the profession and the community. Ethical Knowledge and Religiosity had a positive and significant influence on the Ethical Perceptions of Accounting (Diana, 2018). Ethical knowledge and ethical sensitivity had a positive and significant influence on accounting student perceptions regarding creative accounting practices (Aprin, 2019).

H1: Ethical Knowledge has a positive effect on Accounting Student’s Perception of Creative Accounting

2.4 Religiosity

Religiosity is a complex integration between knowledge, feelings, and religious behavior in humans (Jalaluddin, 2011). Religiosity and behavior is the consistency between belief in religion as a cognitive element, and the affective aspect is an attitude towards religion. Religion is believed to control individual behavior. The more religious a person is, he can control his behavior by avoiding unethical attitudes, strong religious beliefs are expected to prevent illegal conduct through feelings (Basri, 2015). Based on Sulistiyo (2014) also believes that someone who has high religiosity has strong self-control, in connection with the teachings of religion, which he considers prohibits unethical behavior.

From the definition above, it can be concluded that Religiosity is a level of one's beliefs and knowledge of the teachings of the religion they hold to be able to influence one's attitude and behavior in making decisions and be able to shape moral values in a person. Religiosity is the level of a person's specific beliefs in religious values that are practiced by an individual in his life. Hutahahean & Hasnawati (2015) stated that one's religious beliefs provide an essential role in ethical decision making. That way, anyone who has a high degree of religiosity would perceive all their actions in line with the beliefs of the faith they profess.

Every religion certainly has restrictions and rules about unethical conduct. All give directions to humans to do good. Someone's belief in the faith they hold can prevent one's unethical behavior. Therefore, someone who has high religiosity has strong self-control. Religiosity has a positive impact on the understanding of ethical accounting student (Wati & Sudibyo, 2016). Someone who has high religiosity will consider all his behavior according to the teachings of his religion. Thus, the more obedient a person is in faith, then that person is expected to respond to ethical behavior related to creative accounting practices with an attitude of disapproval.

H2: Religiosity has a positive effect on Accounting Student’s Perception of Creative Accounting

2.5 Moral Reasoning

Based on Febrianty (2011), morals are the same as ethics, namely the values and norms that become a guideline for a person or a group in regulating his behavior, while the only difference is his native language, morals from Latin, and ethics from Greek. The moral is the emotional attitude and mental possessed by individuals as members of social groups in carrying out tasks and loyalty to groups. In cognitive development of moral theory (Kohlberg, 1975), moral considerations can be assessed using three-level frameworks consists of:

a. Pre-conventional level
At this point, the person decides to avoid risk or self-interest (focused on short-term orientation). Individuals at this normative stage can see their desires as the guide to action. In comparison, people can take measures in fear of current legislation / regulations.

b. Conventional level

At this point, individuals are becoming more focused on the effects of the acts they are taking. In situations of moral dilemmas, the emphasis of the individual shifts from the short-term concentrate and personal interests to the consideration of the need to follow general rules for creating good behavior. Individuals will base their actions on the approval of friends or family and also on norms that exist in society. Individuals can be used as an integral part of the comparison community. They appear to commit theft to preserve the good name of the company.

c. The post-conventional level

Focus of individuals on moral principles broadly as a guide for their behavior. Besides, individuals base their actions by taking into account the interests of others and based their activities on universal laws. The attempt to solve moral problems using them with sound logic is called moral reasoning. In sound logic, a person must be able to comprehend the problem thoroughly before deciding on the solution of what questions he/she will take.

Likewise, Accounting Students, when presented with numerous cases of ethical breaches committed by accountants, may have an Ethical Interpretation of the incident. Accounting students with a high level of moral reasoning in providing ethical perceptions of creative accounting will base the behavior of accountants on moral principles. Conversely, accounting students with poor moral reasoning prefer to disregard moral values while having ethical perceptions of creative accounting. The moral plays an important role related to good or bad to human behavior in everyday life. Such behavior is based on the norms prevailing in the society. A person is said to be moral if the person behaves following applicable norms.

It can be inferred from the above-mentioned explanation that Moral Judgment is a moral knowledge and is the key force affecting moral actions in ethical decision-making. Moral judgment is the method of deciding whether an individual is right or wrong to make ethical judgments. Jasmine & Susilawati (2019) and Febranty (2011) shows that Moral Reasoning has a positive and significant influence on the Ethical Perceptions of Accounting Students.

H3: Moral Reasoning has a positive effect on Accounting Student’s Perception of Creative Accounting

3. Research Methods
3.1 Research Design

The type of research is a comparative causal study because it finds out the causal relationship between the independent variable with the dependent variable and tests the existing hypothesis. The approach used quantitative research. The research was conducted to see the causal relationship between variables to be studied, namely between the independent variables in the form of ethical knowledge, religiosity, and moral reasoning with the dependent variable in the way of accounting student's perceptions of Creative Accounting Practices. This research was conducted at the Faculty of Economics, Universitas Negeri Yogyakarta (UNY) and Muhammadiyah Yogyakarta University (UMY) in Yogyakarta. This study was conducted at the Faculty of Economics, Universitas Negeri Yogyakarta and Muhammadiyah Yogyakarta University (Religious) in Yogyakarta.

3.2 Population and Sample

The population is all undergraduate students in accounting studies at UNY and UMY in Yogyakarta. The sampling technique use a purposive random sampling technique. The amount of sample is 83 respondents from UNY and 64 respondents from UMY. To collect data using a
questionnaire with four Likert Scale choices. The data analysis technique used to test the hypothesis was multiple regression analysis.

3.3 Dependent Variable

Accounting Student’s Perception about Creative accounting is the attitude or response given by an Accounting Student regarding the process or stages in making financial statements using choices allowed by Accounting Standards to change the financial statements as desired. The statements in the questionnaire will be assessed using four Likert scales. The instrument used in the Accounting Student Perception questionnaire regarding Creative Accounting was taken and modified from the questionnaire model created by Lan et al. (2015). Indicators used include, in Case A, the indicators are income minimization and income maximization, while in Case B the indicators are personal interests and the interests of the closest people.

3.4 Independent Variables

The independent variable is a variable that can affect other variables. This study uses ethical knowledge, religiosity, and moral reasoning as independent variables. The operational definition of each variable is as follows:

a. Ethical Knowledge (X1)

Ethical Knowledge is information obtained by someone consciously or not through the five senses regarding the applicable ethics. The knowledge referred to in this study is related to the ethics of the accounting profession. This Ethical Knowledge variable is measured from eight professional ethical principles, namely professional responsibility, public interest, integrity, objectivity, competence and prudence, confidentiality, professional behavior, and technical standards as used in previous studies (Aprin, 2019; Diana, 2018; Revita & Mimin, 2016). The measurement scale used is the Likert scale 1-4.

b. Religiosity (X2)

Religiosity is the level of obedience of a person towards the religious values that are followed by a commitment to carry out the principles and worship taught by his religion. A person’s willingness to his faith can encourage someone to behave or arrange someone to act following the teachings of his religion. This variable of religiosity is measured using indicators of the dimensions of trust, worship dimensions, dimensions of experience, dimensions of knowledge, dimensions of consequences used in previous studies. The measurement scale used is the Likert scale 1-4.

c. Moral Reasoning (X3)

Moral reasoning is a fundamental concept that is owned by individuals to analyze social-moral problems and as a basis for making decisions and actions (Falatah, 2018). In this research, the Multidimensional Ethics Scale (MES) is used to measure moral development. Cohen et al., (2001) stated MES provides a direct measure of ethical orientation on several moral constructs. MES clearly explains the reasons for the moral reasons and the reasons why the respondents conclude the conduct is ethical.

4. Results and Discussion

Result of analysis can be seen at the table as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>-2.227</td>
</tr>
<tr>
<td></td>
<td>X1</td>
<td>0.201</td>
</tr>
<tr>
<td></td>
<td>X2</td>
<td>0.051</td>
</tr>
<tr>
<td></td>
<td>X3</td>
<td>0.460</td>
</tr>
</tbody>
</table>
Based on table above, it can be seen the value of t-count and the level significance of the independent variables tested. The result of t count will be compared with t table, which is 1.655.

4.1. The Effect of Ethical Knowledge on Accounting Student’s Perception of Creative Accounting Practices

Based on the statistical t test, the value of t count is 4.079 and the significance value is 0.000. The value of t count is 4.079 greater than the value of t table 1.65543 (4.079 > 1.655) and the significance value of 0.000 is smaller than 0.05 (0.000 < 0.05) then H1 is accepted. Based on hypothesis test, It can be argued that ethical awareness has a major positive impact on the student’s understanding of creative accounting activities.

Ethical knowledge possessed by individuals will provide information relating to applicable ethical rules. Therefore, the more ethical knowledge possessed by an accounting student, the higher the accounting student considers that creative accounting practices are unethical actions. Results of study are consistent with research by Aprin (2019); Diana (2018); Revita & Mimin (2016) which states that the level of knowledge possessed by students influences the accounting students' perceptions in responding to the unethical behavior of accountants.

4.2. The Effect of Religiosity on Accounting Student’s Perception of Creative Accounting Practices

Based on the statistical t test, the value of t count is 0.536 and the value of significance is 0.593. The value of t count is 0.536 smaller than the value of t table 1.655 (0.536 < 1.655) and the significance value of 0.593 is higher than 0.05 (0.593 > 0.05) then H2 is rejected. Based on hypothesis test, it can be concluded that Religiosity has no effect on Accounting Student’s Perception of Creative Accounting Practices.

Someone who has high religiosity will consider all his behavior according to the teachings of his religion. Therefore, the higher the religiosity possessed by an accounting student, the higher the accounting students assume that creative accounting practices are unethical actions. Although this study can not prove that religiosity affecting accounting student’s perception of creative accounting practices. Results of study are consistent with research by Sevi et al., (2021) in contrast with Ratmaningsih et al., (2020) and Jaya & Sukirno (2020).

4.3. The Effect of Moral Reasoning on Accounting Student’s Perception of Creative Accounting Practices

Based on the statistical t test, the value of t count is 7.488 and the significance value is 0.000. The value of t count is 7.488 greater than the value of t table 1.65543 (7.488 > 1.655) and the significance value of 0.000 is smaller than 0.05 (0.000 < 0.05) then H3 is accepted. Based on hypothesis test, that can be inferred Moral Reasoning has a significant positive effect on Accounting Student’s Perception of Creative Accounting Practices.

Moral Reasoning is an attempt to solve moral problems by using sound logic. Therefore, the higher the level of moral reasoning possessed by an accounting student, the higher the accounting student considers that creative accounting practices are unethical actions. The results of this research are consistent with research by Febrianty (2011); Jasmine & Susilawati (2019); Sugiharti (2017) which indicates Moral Reasoning has a positive and significant influence on the Ethical Perceptions of Accounting Students.

4.4. Additional test

Additional testing in this study is a different test. This examination aimed to investigate the differences between each variable for accounting students of Yogyakarta State University and Muhammadiyah Yogyakarta University (Religious-based). Different tests were performed with the Independent Sample T-test statistic test for variables with normal data distribution and Mann Whitney U test for variables with abnormal data distribution. The following table shows the normality test for each variable as follows:
Table 2. Normality Test for Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Kolmogorov-Smirnov</th>
<th>Asymp. Sig</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.067</td>
<td>0.200</td>
<td>Normal</td>
</tr>
<tr>
<td>X2</td>
<td>0.077</td>
<td>0.032</td>
<td>Abnormal</td>
</tr>
<tr>
<td>X3</td>
<td>0.069</td>
<td>0.086</td>
<td>Normal</td>
</tr>
</tbody>
</table>

Table 3. Independent Sample T-test

<table>
<thead>
<tr>
<th></th>
<th>Levene’s Test for Equality of variances</th>
<th>t-test for Equality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>X1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>0.535</td>
<td>0.466</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>0.277</td>
<td>0.600</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4. Mann-Whitney U Test

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mann-Whitney U</td>
<td>2405,500</td>
</tr>
<tr>
<td>Wilcoxon W</td>
<td>5891,500</td>
</tr>
<tr>
<td>Z</td>
<td>-0.984</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.325</td>
</tr>
<tr>
<td>a. Grouping Variable: Universitas</td>
<td></td>
</tr>
</tbody>
</table>

The results of different tests in table 3 between accounting students of Yogyakarta State University (UNY) and Universitas Muhammadiyah Yogyakarta (UMY) show Ethical Knowledge has a significant difference because the value of significance is 0.000 lower than 0.05. Moral reasoning has no significant differences because the significance value (2-tailed) of 0.142 is higher than the probability value of 0.05. Table 4 show religiosity has no significant difference between UNY and UMY Accounting students.

5. Conclusion

This research show that ethical Knowledge and moral Reasoning has a positive and significant effect of accounting student’s perceptions of creative accounting practices. The broader and more extensive knowledge students have about the ethical principles of the accountant profession can help them to provide perceptions and responses to creative accounting practices compared to students who have little knowledge of the ethics of the accounting profession. Accounting students with a high level of moral reasoning in giving ethical perceptions about creative accounting will base the accountant's behavior on moral principles. Conversely, accounting students with low levels of moral reasoning tend to ignore moral principles in providing ethical perceptions of creative accounting.

Religiosity has no effect of accounting student’s perceptions of creative accounting practices. Someone with high religiosity will consider all his behavior according to the teachings of his religion. Therefore, the higher the religiosity possessed by an accounting student, the higher the accounting students assume that creative accounting practices are unethical actions. Although this study cannot prove that religiosity affects accounting students’ perception of creative accounting practices. The study conducted additional tests using different tests. The results show that ethics has a significant difference, while religiosity and moral reasoning do not have a significant difference between accounting student’s UNY and UMY.
Future research can be done with a wider sample in the Yogyakarta region or even in Indonesia so that diversity can be generalized better because this study only examined samples from 2 universities in Yogyakarta. Future research should add new independent variables from an external perspective that can affect accounting students’ perceptions of creative accounting practices such as the environment and the situation and technological systems because this study only examines factors from an internal individual perspective.

References


Dhika Ayu Putri et al (The Effect of Ethical Knowledge, Religiosity and Moral....)