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Behavioral Accounting and its Interactions

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Abstract

Behavioral accounting is a branch of accounting that is related to behavior besides the accounting knowledge. It deals with the attitude and behavior of people when they are encountered with an accounting phenomenon which determines the behavior that they will show in decision-making. This special area of accounting addresses such aspects as human information-processing behavior, judgment quality, accounting problems that are created by users and providers of accounting information, and accounting information users' and producers' decision-making skills. Behavioral research tries to find out how individuals make decisions and interact and influence other individuals, organizations, markets, and society. Behavioral accounting concept is examined under the topics of the influence of accounting information on behavior, managerial control (budget participation, nonfinancial measures, leadership, and balanced scorecard), auditing (auditor-client negotiations, auditor's judgment, and decision-making), and ethics (ethical decision-making, ethical orientation, and rationalizations on unethical behavior) in this chapter.

Keywords: behavioral accounting, accounting ethics, auditor, managerial control, influence of accounting information

1. Introduction

Behavioral accounting is a branch of accounting that is related to behavior besides the accounting knowledge. Accounting was recognized as a phenomenon that operated in contexts that forms, functioning, and consequences were interdependent with; now, it is recognized as a practice whose outcomes are mediated by the human and social contexts in which it operates [1]. It deals with the attitude and behavior of people when they are encountered with an accounting phenomenon which determines the behavior that they will show in decision-making [2].

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The definition of *Behavioral Accounting* is "an offspring from the union of accounting and behavioral science; it represents the application of the method and outlook of behavioral science to accounting problems" and the *objective of Behavioral Accounting* is "to understand, explain, and predict human behavior in accounting situations or contexts" in Ref. [3] (pp. 127–128).

Behavioral accounting attempts to correct and enrich traditional approaches to accounting theory where preparer and user perceptions, attitudes, values, and behaviors are underemphasized [4]. Belkaoui defines it as "the application of behavioral science to accounting, with its basic objective being the explanation and prediction of human behavior in all possible accounting contexts" (p. 438).

"Not only does accounting summarize huge quantities of behavioral interactions, accounting measurements can become the object of behavior. Accountants account for behavior and accounting measurements can be the objective of behavior and so long as accountants make assumptions about human behavior in accounting, accountants should reexamine their behavioral assumptions be a greater understanding of and involvement in the behavioral sciences" [3] (p. 136).

Behavioral aspect of accounting is that segment of accounting which attends to develop an understanding of both cognitive (perceived) and affective (emotional) elements of human behavior that influence the decision-making process in all accounting contexts and settings. This special area of accounting addresses such aspects as human information-processing behavior, judgment quality, accounting problems that are created by users and providers of accounting information, and accounting information users' and producers' decision-making skills [5]. It was assumed that the decision-maker behaved basically as a profit maximizer in handling accounting problems; but today it is accepted that the individual exhibits psychological behavior also in accounting [6].

A well-known definition of behavioral accounting research appeared in Ref. [7] (p. 43) and was used in several studies such as in Refs. [8] and [9]: "The study of behavior of accountants or the behavior of non-accountants as they are influenced by accounting functions and reports." Behavioral accounting research contains the judgment of accountants and auditors, the influence of the accounting function and auditing function on behavior, and the influence of accounting information on judgment and decision-making of users [9].

Behavioral research tries to find out how individuals make decisions and interact and influence other individuals, organizations, markets, and society. Behavioral researchers who primarily study human actions in a variety of settings are behavioral economists and accountants, two groups of interest for this attempt. Laboratory experimentation, examination of naturally occurring (archival) data, verbal protocols, and theoretical models are from the methodologies employed [10].

The scope of behavioral accounting research has been heard from 1960s, the academic community began to examine the implications that accounting statements and information had upon decision-makers [8]. By the end of 1960s, interest in investigating the behavioral influences that accounting information on individuals and organizations grew rapidly and caused an increase in the number of published studies. In 1970s, the quality of the research was better and recognition of the behavior paradigm by the profession increased significantly [11]. In 1960s, the focus was on managerial accounting which was dealt with the accounting function on behavior; in 1970s, the focus on managerial accounting remained, but the emphasis changed to information processing by decision-makers [9]. Researchers examined judgment and decision-making and the research mainly focused on the auditors, their judgment, and the use of information. User characteristics, decision models, alternatives for communicating accounting information to users, and accounting policy-makers' behavior are also examined [12]. By the 1980s, the research was regarding all subject areas of accounting [9]. By 1997, a number of faculties taught and conducted research in behavioral paradigm, and identified their interest with the area of research application [11].

Behavioral accounting concept is examined in terms of the influence of accounting information on behavior, managerial control, auditing, and ethics in this chapter.

2. Influence of accounting information on behavior

"Accounting systems are often the most important formal sources of information in industrial organizations. They are designed to provide all levels of management with timely and reasonably accurate information to help them make decisions which *are* in agreement with their organization's goals"[13] (p. 156). While some organizations demand from accounting to assess the basis of tax or to follow up debits and credits only, some organizations demand to produce and report the information that meets the needs of the users [14].

According to Macharzina [6] (p. 5) "the process of influencing behavior through accounting information is conceived of as an interaction process, in the course of which an individual (accountant) attempts influence the behavior of one or more other individuals (focal persons) with the aid of appropriate reported information in order, as far as possible, to realize the reporter's or management's behavioral expectation."

Behavioral issues mainly appear through the communication process, not through the more traditional accounting issues such as data-processing methods. One of the domains of behavioral accounting research is the behavior of the recipient of accounting information and how variations in the information influence the behavior, because accounting communications are designed as the basis for behavior [7].

Accounting information influences decision-making mainly [15]. There are three decision-makers that decide by using accounting information:

- Decision-makers who decide concerning both activities and accounting system that prepares financial reports of the firm. This group is top management who is responsible for the preparation and presentation of financial reports and also any change in accounting system.
- Decision-makers who decide concerning activities, but do not decide concerning preparation of financial reports. They cannot change the content of accounting information, but

use it about the decisions of other activities; the result of their decisions may influence accounting system indirectly.

- People who are outside of the firm and influence the environment and activities of the firm, but who do not have direct control on the activities and works of the firm.

The behavioral research in this area examined information systems' structure, the influence of individual behavioral characteristics on the information usage and process, and the relationship between characteristics of decision task and information systems, in 1970s and 1980s [12].

Accounting information can be classified into two categories as financial information and nonfinancial information. Financial information is quantitative in nature, while nonfinancial information includes both quantitative and qualitative information. According to the managers' backgrounds and the nature of the decisions and problems they are facing, different types of accounting information are used in decision-making processes. Managers may also use financial and nonfinancial information simultaneously [16]. Financial information plays a key role in structural decision problems such as the evaluation of organizational performance, whereas nonfinancial information is considered to be more useful for unstructured decision problems like the identification of new business opportunities.

Accounting information can carry out two roles within decision-making: As decision-facilitating information and decision-influencing information [17]. Decision-facilitating information reduces decision-makers' pre-decision uncertainty and, thereby, enhance the probability to making better decisions with respect to the desired objectives. So, it is a direct input in decision-making and is supposed to improve the knowledge and anticipation to make decisions. Decision-influencing information, whose function is important only in multi-person contexts, affects (other) persons' behavior and influences managerial decision-making in the management context. Decision-influencing information enfolds its effects via behavior observation, performance measurement, and evaluation and rewarding or penalizing performance.

Two distinctive styles of information usage, namely diagnostic and interactive, are identified by prior studies [16]. A diagnostic use of the accounting information emphasizes the use of this for "diagnosis," for example, the observation of deviations of organizational processes from a preset norm which reflects a management style that relies on standard setting, measuring, comparing, and taking corrective actions, and which emphasizes monitoring, top-down control, and the pursuit of efficiency [18]. Interactive use of the accounting information emphasizes its role to engage in "interaction" with organizational participants which reflects a management style in which higher level managers involve themselves regularly and personally in the decision activities of subordinates. Managers should be experienced or trained in the use of nonfinancial accounting information in an interactive and participative style. Managers should be experienced in the typical "administrative" ways of dealing with the accounting information if they implement cost-reduction policies control.

Managers with a dominant administrative background tend to use accounting information more diagnostically than interactively, and seem to emphasize performance evaluation and prefer to use financial information for decision-making process [18]. By contrast, managers who adopt an interactive style of information usage tend to use nonfinancial information more than financial information in decision-making. Managers who have a balanced background may be most effective to resist pressures toward both cost reduction and quality enhancement. Different styles of information usage have direct implications on the behavior of managers. Senior managers who adopt a diagnostic style of information usage pay attention toward the achievement of planned outcomes [16]. They direct less attention to the tools adopted by lower level managers for achieving the outcomes. Most discussions on organizational outcomes are in formal reviews form and are conducted at the end of set operating periods. Within operating periods, exchanges of accounting information are limited. Continuous exchanges of information occur between organizational members when an interactive style of information usage is adopted by managers. Discussions on organizational outcomes tend to be less formal and can be held at any time.

The suitability of the styles of information usage to managers changes according to the types of decision problems they face; a diagnostic style of information usage is suitable for addressing routine, structural decision problems like organizational performance evaluation and the determination of rewards of the subordinates whereas an interactive style of information usage is more suitable for addressing unstructured decision problems [16].

Accounting information users' personal characteristics and their influence on decision-making should be well known by accounting information preparers and presenters [15]. Users' cognitive process and perceptions will influence the usage and interpretation of accounting information; it is supposed that decisions are influenced by prejudice of perceptions of decision-makers. Trust on decisions and information demand significantly link with the tolerance of uncertainty.

Behavior of accounting information producers depends on four major factors of quality of financial information [5]:

- Relevance: It means that accounting information should be relevant to decision-making.
- Faithful representation: Information should be complete, confirmable, and neutral.
- Comparability: It should enable that similarities in and differences between two sets of economic phenomena would be identified by the users.
- Understandability: It means that users with reasonable knowledge of business and economic activities or financial accounting should be able to realize the meaning of the information.

3. Managerial control

Many forms of empirical research have been taken and many topics analyzed over the years in management accounting research such as to what extent managers probably succeed with their management accounting and control systems in various settings [19]. The behavioral research in this area analyzed the impact of budgetary control on individual performance and how people affect budgets by analyzing individual differences, motivation, and risk aversion and helped us to understand the variability and complexity of people about work and performance. Since 1970s and 1980s, the objective of management accounting seemed to encourage and assist managers in making desirable decisions in organizations and motivating others to perform the results of the decisions [12]. The benefit of behavioral accounting research may be more probable to be seen in the managerial area than in any other aspect of accounting due to the direct and observable relationships between management accounting and behavior in organizations.

A significant portion of BAR also focuses on noneconomic dimensions such as trusting behavior, cooperation, and the expectation of a fair share of any rewards that influence decision-makers in directions at odds with the self-interest and wealth-maximizing assumptions These can lead to greater monetary returns to the decision-maker in certain settings, but they also can expose the decision-maker to greater risk. Other characteristics of the work environment including the national culture can also influence the expectations and behavior of the decision-maker [20].

3.1. Budget participation

Budgets and standards direct people to a certain target and motivate them and also create a criterion for performance evaluation. The extent to which budgets and standards have an influence on behavior depends on the difficulty level of budget targets and if these targets are prepared by the participation of decision-makers. Objectives, budgets, and standards affect human behavior, and the degree of this influence depends on the accessibility of the objectives [15].

One of the reasons that superiors decide to rely heavily on budget targets to evaluate their subordinates is the positive outcome which means that employee job satisfaction and performance are improved when a high budget emphasis evaluative style is accompanied by a high budgetary participation [21]. According to the prior studies, an evaluative style will probably be associated with favorable behavioral outcomes if it emphasizes the importance of budget targets used together with high budgetary participation. Brownell [22] referred that "superiors who exhibit a budget-constrained style and place primary emphasis in their evaluation of subordinates on budget achievement, will provide appropriate reinforcement only for those individuals who are heavy involved and influential in the budget-setting process" [21, 22]. This indicates that budgetary participation isn't independent of an evaluative style which emphasizes meeting budget targets, but rather it is a consequence of this type of evaluative style [21]. Budgetary participation moderates the impact of supervisory evaluative style on performance; it has a positive effect on performance [22].

Another reason that superiors decide to rely heavily on budget targets to evaluate their subordinates which is associated with high budgetary participation is based on the suggestion that it is fair [21]. If superiors choose a high emphasis on budget targets as an evaluation style, they will also choose high budgetary participation because of a forceful need. In this evaluative style, the level of budget targets is important to the subordinates because their performance will be assessed against these targets which may have important effects on the interest of subordinates; so it is only fair that they have a role in determining the levels of realistic and attainable budget targets. Generally, superiors care about to be seen as being fair among their subordinates; therefore, superiors who adopt an evaluative style that has a high emphasis on budget targets will decide to allow their subordinates high budgetary participation to be perceived as fairer.

The main purpose of subordinates' participation in the budgeting process, in superior's side, is to gain information from the subordinate that is useful to plan and coordinate production, reduce uncertainty, and thereby increase profitability [23]. Budgetary slack is "the result of employees misrepresenting their productive capabilities while participating in their budget setting process" [24]. This could result in overstatement of costs and understatement of revenues and profits and could be harmful for the financial well-being of the organization.

3.2. Nonfinancial measures

Performance evaluation is important to employees as their evaluations may be closely linked to their wages and promotions, so they are likely to be concerned with the fairness of the performance measures used [25]. Organizations are facing deep pressure to remain competitive and therefore adapt customer-driven strategies aimed at ensuring high levels of quality and innovation. So organizations expect from employees to perform and show success in possibly many diverse and complex roles. Nonfinancial performance measures such as defect rate, customer satisfaction rate, and number of new products launched may be suited to such contemporary situations as they are not linked to the annual reporting circles and need not be expressed in monetary terms. They may measure progressions in product quality and innovation necessary to maintain and improve customer satisfaction and retention.

Nonfinancial measures that are able to capture the long-term performance of employees' actions are suggested to be used in performance evaluations as they are more flexible, comprehensive, and therefore easier for the employees to associate with; by using them, employees may more likely to realize a long-term perspective of the position in the organization [26].

Employees are measured on the quality of their work, the initiatives they undertake, and in areas in which they have control and they are therefore likely to perceive the use of nonfinancial measures as a fair evaluation of their performance [25]. So, the use of nonfinancial performance measures is likely to be positively related to employee role clarity as it is a means of providing the necessary information to express the role of employees so that they are aware of what is expected of them.

Nonfinancial measures can be seen as a communication tool; the adoption of them as performance evaluation criteria will promote trust within the superior-subordinate relationship [25]. Procedural fairness perceptions are influenced by the trust in superior-subordinate relationships; subordinates are likely to believe that their supervisor will appraise their performance fairly, so the trust the employees have for their supervisors will likely be translated into faith in the performance evaluation system. However, if trust is not established between them, this would cause subordinates to suspect that their superiors may be deceptive and selfish and may lead to a perception that the performance evaluation procedures are unfair.

3.3. Leadership

Leadership, as a social influence process, only really works when people have faith that the manager is directing them toward a worthwhile goal and allow themselves to be led to achieve an organizational goal, which can be summed up in the concept of trust [27]. "Leadership involves activating and engaging the head, heart, hands, and spirit of employees for a purpose that is greater than the individual manager or any one employee that means developing behaviors that favorably impact tasks, build relationships, and bring about transformations" (p. 174).

In transactional leadership, managers create and maintain high-quality interactions with employees to meet the organizational goals by using rewards, power, and authorization. Transactional leadership isn't sufficient to engage and motivate most employees in the long term. Transformational leadership is about motivation of the employees by orienting them to a greater organizational goal beyond any individual short-term goals by creating a tough vision, enabling them to turn the vision into a personal reality, and empowering them to maintain the transformation. Transformational leadership can encourage the growth of a learning organization. An integrated approach is required for an effective management; managers will always make sure that employees receive rewards and recognitions in a transactional meaning, but leadership also requires the skill to provide employees looking beyond their current situation and focus on greater purpose.

3.4. Balanced scorecard

Senior executives realize that organization's measurement system affects the managers' and employees' behavior; in the 1990s, the traditional financial measure-oriented performance evaluation system was challenged by managers and academic researchers [28, 29]. Kaplan and Norton [30] claimed that financial measures were inadequate for the evaluation of the nonfinancial aspects of management performance, and managers may stress short-term financial goals rather than their organization's long-term interests in the case of exclusive use of financial measures in performance evaluations [29, 30]. They promoted using the balanced scorecard (BSC) to evaluate all aspects of managerial performance. A typical BSC has four measurement categories, including financial, customer, internal business process, and employee learning and growth perspectives; generally, the majority of the last three are made up of nonfinancial measures. Balanced scorecard uses both financial and nonfinancial measures with emphasizing nonfinancial measures; therefore, it is important for organizations to understand how the various performance measures can influence the behavior of employees by identifying the essential factors required for the success of performance evaluation systems [26].

If the top management uses both financial and nonfinancial measures in their performance evaluations when they evaluate the performance of middle-level managers, the middle-level managers are more likely to use both financial and nonfinancial measures in their subordinates' evaluation [29]. On the contrary, if the top management uses just financial measures and ignores nonfinancial measures in the evaluation of their middle-level managers' performance, their prejudice will spread to the next level of management via the contagion effect, who may put excessive emphasis on financial measures in performance evaluations as well (p. 104). As a result, top managers should use an evaluative style where all measures in the BSC are reflected in evaluating performance.

4. Auditing

Accounting information users need reliable and sufficient information for decision-making; it's the duty of the business management to provide this information [31]. But there may be a possibility that the information isn't reliable because of work load and sophistication in accounting transactions, distance of the users from business, and the tendency of the information providers. So the necessity arises to present audited financial statements to the users to decrease the risk of unreliable information. Some of the users may wish to invest, willing to loan money, or wish to merge; therefore, there must be a procedure to verify the accuracy of the company's financial status [32]. The independent auditor's task begins at this point.

"Auditing is an investigative and information-processing activity, which evolved in response to the need for independently verified stewardship reports" [33] (p. 89). Audit activity includes financial report data examination followed by an audit opinion on the report mainly compliance audit, internal audit, and operational audit. Our main focus will be on independent auditor who is responsible to examine and report the financial statements.

The auditor collects and evaluates relevant and reliable information, and applies professional judgment in choosing among alternatives also by consultation with other professionals who are knowledgeable in the area. The auditor should use critical-thinking skills in the development of a solution or an opinion on the financial statements. Conducting a proper audit requires professional judgment. Relevant knowledge and experience application to the facts and circumstances are essential for interpreting the relevant ethical requirements and GAAS and the informal decisions required during the audit process [34].

Independent auditors offer services to their clients and get payment from the clients for their services, but they may face conflicting loyalties because of the opposing interests between the public and clients; their main responsibility is to guarantee the interest of public [32]. "The auditor's obligations are to certify that public reports depicting a corporation's financial status fairly present its financial position and operations; shortly their fiduciary responsibility is to the public trust and "independence" from the client is fundamental in order for that trust to be honoured" (p. 118). The AICPA Code of Professional Conduct mentions two kinds of independence: Member who provides auditing and other attestation services should be independent in fact and appearance [32, 35].

4.1. Auditor-client negotiations

Financial statements are a product of auditor-client negotiations that is an important link between the audit and the quality of financial statement [36]. Unaudited financial statements of the clients are the first move of starting of negotiations. The first move is a key factor of the other side's actions and often estimates the first mover's attitude during the negotiation process, where client's signal becomes clear as negotiations progress. A client who refuses to post an adjustment proposed by the author may be viewed as being contentious or a client who willingly concedes on an issue after the initial proposal of an auditor may be viewed as concessionary by the author. These contentiousness and concession acts from both the auditor and client are viewed as tactics in a negotiation setting.

It is found that the negotiations are often influenced by negotiators who use tactics [36]. Many research about the use of concessionary tactics found that both auditors and clients reciprocate to concessionary negotiation tactics, such as a first move concession of an unreasonable item made by client may result as auditors probably waive material adjustment or to influence clients to be more likely to record adjusting entries, auditors may use concessions during negotiations. Findings of researches about the usage of contentious tactics show that clients indicated that they would use contentious position during a negotiation with an auditor, whereas auditors will be less likely to waive adjustments as responding to a client who was contentious in the past.

4.2. Auditor's judgment and decision-making

Auditors are required to exercise professional skepticism when making judgments based on audit evidence without being influenced by clients [37, 38]. But there are some evidences that clients may influence auditor judgment through ingratiation which can influence the judgment of the target in many settings [37]. Prior research stated that affect toward the client can influence auditor judgment; as an example, inexperienced auditors who felt negative affect toward the client assess a higher risk of inventory obsolescence than who did not experience affect toward the client. When the auditor likes the client, his/her fraud-risk assessments are lower than when he/she dislikes the client. Ingratiation is indicated as a successful influence tactic by many researches. When persuasiveness of ingratiation is examined, it can be said that sources with high incentive to influence the target have less influence on the target and are less persuasive than sources with low incentive. "When the client ingratiates, auditors are more likely to comply with the requests of clients with low incentive to influence the auditor than with requests of clients with high incentive. This result indicates that ingratiation magnifies the effect of client incentive on auditor judgment" (p. 70).

One of the most important parts of auditing contains decision-making and judgment which are the daily work role of auditors [33]. The ability to make judgments requires education, experience, and expertise, and a measure of auditor's judgmental quality is the degree of accuracy of his/her decisions. One of the factors that impact the auditor's decision-making may be firm size which is found by some researches that accounting disclosure decisions differed between auditors employed at large-size or small-size firms. Another factor that impacts the decision-making may be the auditor's psychological make-up such as tolerance to ambiguity which is closely linked to auditor decision-making. The authors who are tolerant of ambiguity may decide quickly and have more confidence in their decisions.

"When people make decisions in situations which are 'normatively ambiguous' their decision processes and decisions are influenced by knowing whether or not they are going to be accountable to another and suggests that the known view of the person they will be accountable to will influence their decision" [39].

When the judgment performance of experienced auditors versus inexperienced auditors is concerned, experienced auditors will outperform inexperienced auditors because of their domain-specific knowledge, if task and experience levels are properly matched [9].

A strong tone at the top that consists of the culture of control consciousness, integrity, and ethical values from upper level management affects ethical decision-making of mid- and lower level employees [40]. In organizations, upper level management is critical to establishing an ethical tone, but it is seen that ethical decision-making of the staff is also equally impacted by the ethical tones set by lower level supervisors. "The low ethical tone of supervisors at the top and/or bottom may cause entry level staff auditors to construe unethical situations as devoid of ethical implications, such that entry level staff auditors may act more unethically if either of their supervisors exhibit a low ethical tone" (p. 80). It is anticipated that entry-level staff auditors will follow their senior's tone rather than their partners tone as individuals will be more influenced by close in-group members who are similar to them than by out-group members who are dissimilar to them.

5. Ethics

"Ethics is a philosophical discipline that aims to apply actions and rules in keeping with the concepts of right and wrong. This notion is widely related to legitimacy, which is defined as the quality of legal, justice or equity. The legal bases, whether ethical or moral, are the root of legitimacy which is based on authority" [41].

Accounting uses ethics to provide the appropriate behavior of accountants who must adopt certain ethical values and expected to be honest, modest, just, dignified, prudent, zealous, responsible, loyal, innovative, respectful, tolerant, and independent [41]. Accountants must become ethically involved when they are aware that their figures have an effect; they cannot absolve themselves of the responsibility of effecting behavior [7].

5.1. Ethical decision-making

Ethical decision-making abilities and ethical behavior of accountants have been researched and found that the recognition of individual of his/her role as a moral agent is an important factor in ethical judgment and actions. "If a decision isn't recognized as ethical in nature, moral schemata will not be used to address the issue; this ability to recognize the ethical nature of a decision is referred to as ethical sensitivity" [42].

Several cognitive-based models of ethical decision-making have been borrowed mainly from psychology and extended into business and accounting paradigms. The foundation of these models is that Rest's (1986) four-stage model is the basis of these models which specifies four distinct sequential processes that individuals must take to involve an ethical dimension in their decisions, and behaviors are described below [43, 44, 45]:

- **Ethical sensitivity**: Refers to the interpretation of a particular situation, recognition of the ethical issue(s), awareness of what actions are possible, and determination of what the consequences may be on the parties involved.
- **Ethical judgment** (or ethical reasoning): It is about which manner is ethically justifiable; individual makes a moral judgment about the actions and chooses one of them as being morally right.
- **Ethical intention** (ethical motivation): Refers to intention to act in the morally right manner by giving primacy of ethical values higher than other values.
- **Ethical behavior**: Refers to constancy to follow through on the chosen course of action to perform in the morally right way.

"Researchers have found that the other people that an individual encounters in a professional environment influence ethical behavior significantly irrespective whether their behavior is consistent with the individual's ethics or not" [42]. The effect level may be influenced by the organizational distance between the parties and by their relative authority.

5.2. Ethical orientation

Accounting professionals' perceptions of the ethical environment of their firm may be influenced by their own ethical orientation which is driven by two characteristics: idealism and relativism [42, 45]. Idealism reflects the extent to which individuals attribute to universal moral rules and believes that desirable consequences can be generated without violating moral guidelines; by contrast, relativism reflects the degree to which individuals view moral decisions as a function of the particular situation and rejects absolute moral rules to guide behavior.

A direct link between ethical orientation and moral judgments was not present every time according to many researches, but significant relationships are found between ethical orientation and personal feelings about decisions and individual characteristics [45]. Results of some researches indicate that, subsequent to a moral violation, individuals low in relativism feel much more negatively about themselves than individuals high in relativism. Also, highly idealistic individuals feel much more positive about themselves than individuals low in idealism subsequent to a moral violation resulting in positive consequences for others.

5.3. Rationalizations of unethical behavior

The duty of the accountant within the firm is to portray the firm's financial situation correctly and truthfully. But sometimes, there may be misstatements. Managers may use some rationalizations as a guide to justify suspect behavior and to warn against misrepresentation of financial statements [31]:

- The first rationalization for unethical behavior may be the belief that an activity is within reasonable ethical and legal limits; in other words, it is (may) not actually illegal or immoral (p. 140). If there is a hesitation to perform the activity, it means there may be doubts about its accuracy; in this situation, the best way may be not to do it.

- The second to justify unethical behavior may be the belief that an activity is in the best interest of the individual or the company; in other words, to undertake the activity would somehow be expected from the individual (pp. 141–142). The accountant is expected to be loyal to the company and it may require doing things for the interest of the company that he/she would not do as an objective individual. Even he/she must be loyal to the firm first, objectivity and obligation to the public is required by accountant's code of ethics.
- The third rationalization for unethical behavior may be the belief that an activity is safe because it will never be discovered by anyone (p. 143). Doing this activity with that belief is a rationalization, but not a justification and the behavior is wrong.
- The final reason to justify unethical behavior may be the belief that the company will condone the activity and even protect the person who attempts it because the activity helps the company (p. 144). This belief depends on the integrity of the leaders of the company; they excuse unethical activity, they will condone the loyalty of the accountant, but this lasts only if the unethical activity remains undiscovered. But being in a culture that expecting unethical behavior means that the integrity is in danger.

6. Conclusion

Accountants emphasize short-run measures and may not pay attention to the behavioral consequences because they have been conditioned by their education and organizational experience; this is similar with the focus of top management [12]. Behavioral accounting research is dealt with improving long-term performance. A major contribution on this point would be to include more variables such as human resource accounting in financial-reporting practices and less emphasis on short-run performance. The potential contributions of behavioral research in accounting will not be sufficiently realized until management attitudes change. Behavioral accountants should make great effort to prevail on their academic colleagues to realize the importance of the behavioral implications of accounting.

Accounting profession needs ethical professionals with ethical awareness and sensitivity and capable of considering various variables in decision-making. Various fields in behavioral accounting would improve their perspective [46]. Accounting academicians should consider inclusion behavioral accounting courses in postgraduate curriculum to train potential accounting professionals having a broad perspective.

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