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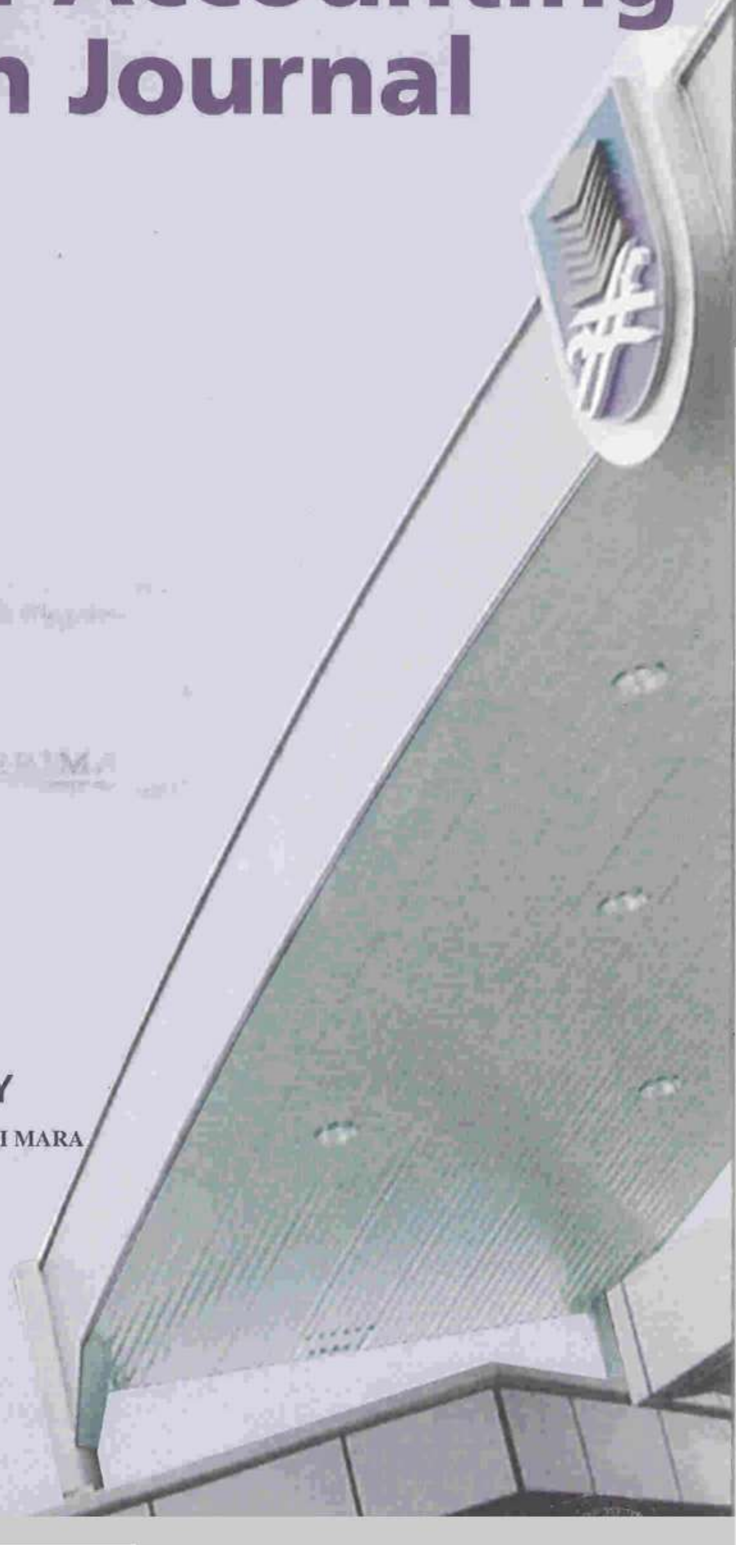

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Contents

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Abstract

Ethics, of late, had aroused significant interest amongst practitioners and academics alike. The collapse of Enron, the largest energy-trading company in the US had jolted the profession out of its complacency and serves a warning that all is not well with the profession. It is under scrutiny! The message is clear, if accountants want to be relevant, they have to be more diligent and ethical.

This paper reports on an empirical research carried out to understand the impact of the implementation of the By-Laws (On Professional Conduct and Ethics) issued by the Malaysian Institute Of Accountants to its members. We use structured interviews and questionnaires and were able to solicit responses from 92 respondents out of 110 approached.

We looked at five issues - whether respondents knew the existence of the By-Laws, how much they knew about it, how much they understood its provisions, why they follow certain principles enshrined in it and how often they refer to it when faced with conflicts which were addressed by the By-Laws.

From the study, we found that the By-Laws have no significant influence over their actions and behavior. This was due to the fact that most of them were ignorant of the By-Laws. As such many were unaware of the provisions contained in it. Even amongst those who were aware, not many refer to it when faced with ethical dilemma. Any adherence to the provisions of the By-Laws were either coincidental or by default due to them being a universally accepted deeds.

1.0 Introduction

Ethics has aroused a significant interest amongst practitioners and academics alike. As the ones calling themselves professionals, accountants faced the pressure of not only to show but also to demonstrate that accounting is a highly credible profession. They, the accountants, are indeed role models and the accounting practice is an arena where accountants discharge their public duties and social responsibilities with the highest degree of professionalism.

The professional accounting bodies are quick and rather proactive in combating unethical behavior amongst practitioners. This is to ensure that public confidence on the profession remained high. They were concerned not only to ensure that members adhered to the rules, standards and the general legal procedures, but also to see that accountants carry out their duties diligently, truthfully, fairly and in the best possible manner so that the interests of their clients are protected and safeguarded.

The codes of ethics are issued for these reasons. However, rather than becoming a rule of law where offenders can be made to face legal action, the codes are meant to be a self-restraining or self-governing mechanisms. Provisions in the codes are meant to be guidelines that have to be strictly followed by accountants and the behavioral traits all accountants should have while carrying outs their roles as accountants. The basic underlying principle is that it is not enough for them to just follow the rules. Over and above that - i.e. rule following, their tasks must be done in a professional manner and accompanied by proper conduct befitting their roles as custodians of financial records and managers of public trusts.

The need for such a mechanism is real. The public must be assured that accountants go about doing their jobs professionally and ethically. This is because accountants are entrusted with the important duty of managing the organization's finances and feeding decision makers with relevant information that they (the managers) need. As such, what they record and report will surely have momentous impact on the future well being of the organizations they served.

It is perhaps for this reason that the accuracy and truthfulness of the records kept by accountants have to be further checked and a second opinion on whether or not the records are properly recorded, kept and managed have to be further vouched. The people to undertake this responsibility are auditors.

Auditors are therefore having a more difficult role to play. If accountants' responsibilities are only to the organizations they served, auditors must not only serve their clients, but also the investing public and those whose interests they must protect. It is for these reasons that the codes of ethics are crucial. Besides being accountants themselves, auditors must ensure that the opinions they provided must not be seen as mere stamping of what their counterparts say. They must be independent and show independence in conducting their businesses. The opinion they formed therefore must be made in the context of providing an expert second opinion and to protect the interests of those their jobs entail. Such an approach to work showed that they are professionals. But, more importantly, they demonstrate traits that will keep public confidence of accounting as a profession high.

2.0 A Review Of Past Literature

2.1 The Concept

Codes of ethics are documents issued by professional bodies and organizations to be used as a guide and a parameter within which members must conduct themselves in carrying out and discharging their duties. Higgs and Kapelianis (1999) defined codes of ethics as a set of rules - written and unwritten, that supposedly controls the behavior of members of the same profession. A person is assumed to subscribe to a code of ethic once he or she agrees to be a member of the profession. Subsequently, his or her membership can be terminated or he or she can be barred from practising the trade of the profession should he or she disagree or no longer able to subscribe to the code.

Ethical conflict occurs when people perceived that there are inconsistencies in the manner one group is treated as compared to another. It also happens when one is perceived to be biased in carrying ones duties and responsibilities for ones own self-interest. As such, codes of ethics become as a self-control or self-governing mechanism of a profession. It is also a framework to be used for control and enforcement actions. In principle, the main reason for its introduction is to ensure that public confidence in the profession remained high. It is a practical guide of what good behavior denotes and what a profession expects its members to posses (Drage, 1996). Jamal and Bowie (1995) suggested that the codes serve three functions - to be a link between the profession and the public, to safeguard the economic interests of parties that the profession serves and to provide a moral framework for members in solving controversial issues.

2.2 The Codes of Ethics in Accounting

In accounting, codes of ethics are used to refer to the codes of ethical conduct issued by various accounting bodies. These comprise of expected behaviors and actions demanded from accountants by the profession. As such, the codes are documents that provide a mechanism and guidance for self-governance within the profession. It is not a rule of law. Rather, it is a set of moral construct that the profession require its members to adhere to. Violation of the codes will lead to the violator being reported for disciplinary action to be taken by the governing body.

The need for such a mechanism is crucial for a profession to command respect and develop. Chua and Mathews (1995) noted that public confidence in the work of accountants will enhance their trusts of them and is the single most crucial element in the future development of the profession. The public expects and needs to be assured that accountants do their jobs diligently and with conscience that what they (the accountants) do is to serve them (the public). In short, what accountants need to understand is that doing their job well will not only benefits the organization they served, but also the economy as a whole (c.f. Lemon, 1996).

It is in this respect that the codes of ethics are crucial. Turpen and Whitmer (1997) noted that mere rule following will not make accountants respected. Rather, more importantly, it is their skills, independence, objectivity and integrity that the public is looking for. In other word, it's the value that they espouse in going about doing their jobs and maintaining the quality of their tasks that command respect. This is more so in the global economy where competition is stiff and changes is the only thing that is certain. Mohammad Adam et al. (1997) noted that globalization, competition and advancement in technologies being used had all contributed to business transactions being more complex. These require accountants to develop new ideas and acquire new skills so that the support systems they provide will be relevant and the kinds of reports they provide will be useful in meeting the needs of decision makers.

The codes of ethics in accounting were first introduced by the International Federation of Accountants (IFAC) in 1990. Its publication, *Guidelines on Ethics for Professional Accountants*, was issued as a pioneering effort to provide a framework of desirable behavioral conduct of accountants. Malaysia adopted the IFAC's version into its *By-Laws (On Professional Conduct and Ethics)* whilst The Association of Certified Cost Accountants (ACCA), the Institute of Certified Management Accountants (ICMA)) and the Institute of Chartered Accountants of New Zealand and Australia (ICANZA) adopted the code issued by IFAC in 1992.

In all, the codes have similar objectives and aim at guiding members and provided them with the criteria or characteristics of good behavior that all accountants must aspire to have, and mostly adopted from IFAC's original version. Most professional bodies, which issued their own codes of ethics, such as the ACCA and the ICMA, had also incorporated certain features specific to their members. However, though similar, the codes, in themselves were not able to provide the all-encompassing solutions to unethical conduct. They nevertheless provide a first concrete step by the profession in self-governance. The codes were also reviewed to plug some of the loopholes of the original version. ICANZA did it in 1995 and IFAC in 1998. The MIA did a thorough review of its by-law and adopted the changes made in January 2002.

There are six parts in the code of ethics - *By-Laws (On Professional Conduct and Ethics*) adopted by the Malaysian Institute of Accountants. The first provides a rationale for its adoption and secondly, its date of enforcement. The third outlines the major principles involved. This is followed by procedures and suggestions as how to solve issues and finally how the MIA would implement and enforce the code.

There are four major aspects of ethical conduct that the MIA stressed - integrity, objectivity, independence and professionalism. Integrity refers to an accountant's ability to demonstrate that he or she is truthful, sincere and transparent and does not show favoritism in actions he or she undertakes. Objectivity is a trait which requires accountants to be fair, unprejudicial and not influenced by any party (except by the code of ethics) in their assessment. As such, objectivity demands accountants to be cautious, thorough and careful in carrying out their duties and not be seen as to compromise their position as independent and responsible professionals in whatever activities they conduct. Independence, on the other hand, refers to the need for accountants to have an attitude and exhibit exemplary behavior such as not to compromise their professionalism in carrying out their duties. An accountant has to be seen as independent and a person of high integrity and objectivity. Finally, the code requires that accountants must be professional, in that, they must, not only be skillful, knowledgeable and qualified, but also respected as one who are always current in their knowledge and whom are always trying to provide the best value for money service.

2.3 Relevant Past Research

A number of researches and papers have appeared addressing this issue. Higgs and Kapelianis (1999) sought opinions of practitioners on the effects of the introduction of the codes. They found that 81.8% of the respondents agree and believe that the codes of ethics really have influence on and regulate their behavior. Many concurred with the idea that the codes serve the profession well as a self-regulatory mechanism. Used effectively, the profession can guard itself against the loss of public confidence.

Sanchini (1992) questioned whether professional ethics should be regulated. More fundamentally, can an individual conform to all the "good traits" outlined in the codes of ethics? Though conceding that the codes are fine in printed forms and represent the best possible conduct that one has to follow, their application in practice is very much contextual. As such, as important as they may seem, applying the rule of law to this constellation of good behavioral trait may not be wise. Hence, a lesser form of enforcement, by the regulatory body itself, will suffice.

Leung and Cooper (1995) conducted a study to find out the level of awareness amongst members of the Australian Society of Certified Public Accountants (ASCPA), how much they know and how often they refer to the code issued by the ASCPA in solving ethical issues. The result was disappointing. Less than 50% of the 1,500 respondents answered in the affirmative. Even amongst those who responded positively, many did not even refer to the code when solving their problems. Rather, they rely on their own experience and knowledge to do so. This seems to concur with results of earlier research by Beets (1992) - quoted by Carroll (1993).

2.4 Ethical Problems Facing Accountants

Ethical problems facing accountants are many but mainly related to the tension due to the need to satisfy clients and to protect the interests of the investing public - investors, creditors and regulatory authorities. Brook (1989) noted that accountants are always faced with a dilemma - to satisfy the need of their clients or risk loosing them especially if they are asked to ignore some facts which may put their clients in a disadvantageous position. Higgs and Kapelianis (1999) concurred and suggested that the need to satisfy multiple interest groups do indeed create ethical conflicts amongst accountants. This may be due to the fact that it is difficult to reconcile and therefore satisfy the differing needs and interests of all parties involved.

2.5 Some Cases on Ethics Involving Accountants

Several cases of misconduct have somehow highlighted the need for self-governance and hence the codes of ethics. Anderson (1985) noted that comment made by the past President of the American Institute of Certified Public Accountant who lamented that the professionalism of accountants is on a decline. The Ohio Society of Certified Public Accountants raised a similar concern and warned that unless something is done to arrest the situation, a crisis of confidence will soon emerged (Cenker and Madison (1996). *[Perhaps, on hindsight, the Enron case and several other cases that ensued could have been averted should the profession heed the warning!]*.

In America, the New York Times (2 April, 1999) reported that the Securities Commission had taken action against an accountant with KPMG for overstatement of his client's assets. It was also reported that the Securities Commission was looking into the "Big Five" accounting firms to determine their compliance as complaints have been lodged about one of them, which subsequently fired five of its partners. The Commission had also reported that it has identified 140 other cases involving 52 client companies.

In Japan, Chou Audit Corporation was charged in court for failing to detect "window dressing" practice of Yamaichi Securities - a stock-broking firm that went bust in 1997. The charge claimed that if the auditor had done their work professionally, they would have detected the fraudulent dividend payment illegally made to fictitious shareholders.

Similar cases were reported in Italy and Malaysia. In the former, two auditors from the 'big five" were charged in court for failing to detect "bogus profit" which their client company reported thereby inflating their income statement, rendering the balance sheet useless.

In Malaysia, the cases involving Bumiputra Finance and Pan-Electric in the early 1970s demonstrate ethical conflicts faced by accountants. To this Mahfuzah et al., (1996), reported that Malaysia is experiencing an increase in white-collar crime that accountants have failed to detect. Few accountants have also been sued by their clients - such as Chi Liung Holdings Sdn. Bhd., Bandar Utama City Corporation Sdn. Bhd. and Meton Properties Sdn. Bhd. Accounting firm Johari Abas and Anor and David Low See Keat and Ors were charged by shareholders for their losses because the accountants had failed, as expected, to detect wrongdoings of their client companies in the course of their normal duties.

3.0 Research Method

This study was conducted primarily to seek answers as whether or not the codes of ethics have any effect on the behavior of accountants and what, if not, are factors that conditioned their behavior. Since Malaysian accountants are members of the MIA, they all subjected to the provisions in the *By-Laws (On Professional Conduct and Ethics)*. Besides, some must also adhere to the codes of ethics issued by their own affiliated accounting bodies - such as the ACCA, CIMA and ICANZA.

Auditors and employees carrying out auditing tasks serving local accounting firms were used as our respondents and hence our units of analysis. Since the Malaysian Accountants Act defined accountants as members of the MIA and to be a member, one has to have a necessary qualification AND three years of related working experience, some of our respondents were yet certified to be accountants. However, they are qualified, doing auditing work in public accounting firms and at various stages of acquiring work experience to be eligible for full memberships of the MIA. As such, we termed auditors who were already accountants as audit seniors whilst those yet to be as audit juniors.

Data was collected using structured questionnaires, thirty of which was personally administered. The questionnaires were in four sections. The first (5 questions) was to seek demographic information of respondents. The second consists of questions where respondents were asked to state their degree of agreement to 14 statements designed to test their understanding of ethical issues. In the third, we asked questions (5 main questions but consisting of 24 statements) to gauge how much the principles outlined in the codes of ethics had actually influenced them. Finally, we listed seven major ethical principles and asked the respondents to rank them according to three criteria - importance, ease of compliance and ease of learning. We used the 5-point Likert Scale for section two and three and Forced Ranking Scale for section four.

As mentioned, thirty questionnaires were personally administered, mostly at the respondents' work place. However, a few requested to have the discussion outside their offices so as not to be seen as abusing their positions and office time. In fact, the sessions we spent with them became more of a structured interview type. Besides the 30, we had also distributed another 80, mostly in Kuala Lumpur, making the total 110.

We received 92 replies giving us a response rate of 84%. In all, 16 firms took part. We categorized 8 as small firms, 5 as medium and 3 as big (the Big Five - then).

4.0 Findings

4.1 Knowledge and Understanding of the Codes of Ethics

The respondents who had participated and returned the questionnaires composed the following.

Table 1
Distribution of Responses By Firm Size

	Distribution of Respondents		
Firm Size	Personally Administered	Self Administered	Total
Small (1-20 audit staffs)	18	25	43
Medium (21-40 audit staffs)	8	19	27
Large (more than 40 audit staffs)	4	18	22
Total	30	62	92

From the sessions where questionnaires were personally administered, we found that 29 out of the 30 knew and were aware that the codes existed but only three of them had actually read them and can recall most of the provisions and principles outlined. Almost 90% could not cite more than three (out of the four principles outlined in the codes issued by the MIA). Please refer to Table 2.

Table 2
Ethical Principles Identified by Respondents

	No. of Principles Identified				
	1	2	3	4	Total
Audit Seniors	4	9	2	-	15
Audit Juniors	1	4	8	2	15

On further questioning, we found that only 63% (21 respondents) understood them in the manner which we felt accountants should have - that is, the code is a serious document and a *By-Laws* to an Act of Parliament has legal repercussions They can be charged in court or being summoned by the MIA's disciplinary committee should they violate them. One of them - a junior auditor, did not even realize that such a code existed.

When asked to respond to some of the principles contained in the *By-Laws*, and how they would react in the situations that we created in the questionnaire, very few could actually explain well. Many admitted that they are not familiar with the codes despite knowing what it is all about. To test, we asked them one specific question - *whether they can audit a client firm that employed them less than six month ago.* 76% said 'Yes' when the By-Laws (Section 3-2(b)(i)) clearly prohibited it.

We had also asked them to list characteristics, which could be considered as features that reflect auditor independence. Only 3 respondents (10%) can list more than 5 points out of 13 listed in the *By-Laws*. (Please refer to Table 3).

Table 3
Understanding of Ethical Principle of Independence

	No. of Characteristics Identified					
	1	2	3	4	5	> 5
Audit Juniors	5	6	4	-	-	-
Audit Seniors	-	-	7	3	2	3

We probed deeper to see how far they observed the codes and found that 84% were more concerned with obeying instructions and complying to audit plans prepared by their employers. Their main concern, especially the juniors, is to ensure that they will not be cautioned or taken to task by their supervisors and partners. We tabulate their responses in Table 4 below;

Table 4
Compliance Factors Of Audit Staffs

	Compliance Factors	
	Codes of Ethics	Employer
Audit Juniors	1	14
Audit Seniors	4	11

Finally, we asked them, directly, how often they refer to the codes and other sources of references when faced with ethical dilemma. 25 out of 30 (83%) responded as 'never', all the 30 will refer to their superiors and 80% will seek advise from their colleagues to solve them. This may be due the fact that the juniors are more involved in carrying out technical tasks, leaving the responsibility of decision making to the seniors. Further, this can also be due to the fact the codes seldom provide solutions to their problems. Hence, referring to supervisors and colleagues are safer, easier and less time consuming. Table 5 details their responses.

Table 5
Frequencies in Reference

	Frequencies		
Reference Points	Often	Rarely	Never
Codes of Ethics	-	5	25
Supervisors and Superiors	30	-	-
Colleagues	24	6	-

Results of the discussions so far showed that accountants' reliance on the codes is minimal. As such one can conclude that the codes of ethics have little influence on the behavior of auditors. We further tested this and the result from regression analysis confirmed it (see Table 6).

Table 6
Responses on Usefulness of the Codes of Ethics

Responses	Coefficient	Significance
The codes are important	0.240	0.131
The codes made us aware of moral issues	0.211	0.184
The codes are helpful in solving ethical problems	0.001	0.151

4.2 Factors Influencing Ethical Behavior of Accountants

Having anticipated that the codes of ethics have little influence over what accountants do - as other studies had shown, we designed questions which allowed us to identify factors that influence their decision making process in overcoming ethical problems. In short, we wanted to know the factors influencing their abilities to solve ethical issues and the principles they rely upon in solving and overcoming problematic ethical situations. We found these.

a. Experience

From the evidence we gathered, there were strong enough indications to conclude that awareness and abilities to solve ethical issues improves with experience.

Learning ethics while in college may make them aware of ethical issues, but abilities to identify and solve ethical conflicts in real life can only be tested and improved with experience. We tabulated their responses and the results supported this observation.

Table 7

Scales of Agreement – That Compliance of the Codes are Important

	Scale of Agreement (%)			
	1	2	3	4
Audit Juniors	22%	35%	41%	2%
Audit Seniors	78%	13%	9%	0

[Note: We use the 5-point Likert Scale with 1 as most agreeable and 5 as totally disagree.]

b. Level of Responsibilities

We had also found that the awareness of the codes increases with the level of responsibilities. Re-tabulation of Table 3 on the responses from interviews confirmed this. (Please refer Table 8).

Table 8
Level of Understanding on the Principle of Independence by Responsibility

	No. of Criteria Identified					
	1	2	3	4	5	> 5
Audit Juniors	5	6	4			
Audit Seniors						
– Audit Seniors	-	-	6	1	-	-
– Supervisors	-	-	1	1	1	-
– Managers	-	-	-	1	1	-
– Partners	-	-	-	-	-	2

[Note: The By-Laws listed 13 criteria or points to demonstrate independence.]

c. Background Education

We then probed to see whether educational background and level of education have any impact on how they view and solve ethical problems. To this we cross-tabulated response of one of the questions in the questionnaires *[whether they agree that ethical principles must be adhered to at all times]*, with educational status of respondents. The result is summarized below:

Table 9
Scales of Agreement - Ethical Principles Must Be Adhered to at All Times

Qualifications	No. of Resp.	Scale of Agreement (%)			
		1	2	3	4
Diplomas and Certificates	45	11%	58%	27%	4%
Bachelor Degrees	55	40%	40%	20%	-
Professional Qualifications	2	100%	-	-	-

[Note: We use the 5-point Likert Scale with 1 as most agreeable and 5 as totally disagree.]

d. Firm Size

We also expected that firm size will have direct influence on how auditors behave as we felt that the bigger the firm, the less likely they want to risk tarnishing their image by condoning unethical conduct. We proceed to test this by cross-tabulating the number of auditor/auditing and their agreements on the statement that it is important for auditors to comply with the codes of ethics. Results showed that firm size did have an impact on attitudes and behavior of auditors.

Table 10
Scale of Agreement – Importance in Complying with the Codes of Ethics

Firm Size	No. of Resp.	Scale of Agreement (%)			
		1	2	3	4
Small (1-20 audit staffs)	43	23%	40%	35%	2%
Medium (21-40 audit staffs)	27	19%	67%	14%	-
Large (more than 40 audit staffs)	22	15%	41%	14%	-

[Note: We use the 5-point Likert Scale with 1 as most agreeable and 5 as totally disagree.]

5.0 Discussions

Results from this study had clearly indicated that the codes of ethics did not play any significant roles in influencing the behavior of accountants. The codes were never a factor in many decisions that accountants took in solving problems related to ethical issues and conflicts.

Several factors can be attributed to this. Firstly, though aware of its existence, not many of the accountants actually read the codes. As such they are unfamiliar with its contents. Further, since they can still solve any problems without having to refer to the codes, many did not feel the need to know more or having a point to refer to it. Secondly, some of the principles outlined are rather abstract and vague. Hence, they can be interpreted differently. Coupled with the fact that the codes failed to suggest specific actions and provide explanation on how to cope or what steps are to be taken to overcome various ethical problems, it is of little help to accountants in solving real life issues they encountered. Finally, we believe that the codes are ineffective and have no influence on the accountants' conduct because they were only intended as guidelines, implying the codes have no legal standing. Besides, since the codes were intended only as self-governing mechanisms, offenders are only subject to disciplinary actions by the governing bodies and that may not be enough to curb unethical behavior.

This finding is in line with that found in a study carried out by Leung and Cooper (1995) who found that 50% (out of the 1,500 respondents who are members of the Australian Society of Certified Public Accountants (ASCPA)) think the level of awareness and knowledge of the codes of ethics issued by the ASCPA is low. It also supported finding by Beets (1992) (as quoted by Carroll, 1993) who found that many accountants did not, normally, act based on the codes of ethics. These explain the findings of a study carried out by Wotruba et al., (2000) who discovered that the usefulness of codes of ethics as a tool for guiding behavior and decisions is strengthened as managers become more familiar with the specific contents and intentions of the codes.

We believe that this situation arises due to the following reasons - at least in Malaysian context;

a. Many of the aspiring accountants who intended to become auditors are not well exposed to ethics and ethical issues. In fact a cursory look at the curriculum of some local universities showed that ethics and ethical issues are not anywhere discussed or a part of the syllabus in the training and educating accountants until of late.

b. The vagueness of the principles itself led to various interpretations. Coupled with the fact that these principles are logical construct of ideal and universal behavior, many would not see the codes as any different from what is expected of them as a person.

c. Absence of actual guidelines on how to solve ethical conflicts.

d. Lack of enforcement and legal standing makes the codes less effective and unlikely to be a deterrent and hence strictly adhered to by members.

This study had also found that experiences, levels of responsibilities, types of education and firm size are factors, which conditioned accountants' behavior. On the issue of experience, results from this study indicate that experience teaches accountants to appreciate that beyond the clear-cut technicalities of accounting there lies a web of non-technical issues, which accountants must tread carefully. The longer they become accountants, the more problems they will encounter and exposed to, giving them greater confidence to make decisions on issues raised. Besides, junior accountants are more concerned with the need to secure a stable employment and hence will be more willing to obey instructions from their superiors than abstract principles, which the codes provide. Their inexperience will also be a hindrance because they might not be familiar with issues at hand and how to solve them.

This conclusion was supported by the responses from the scenario analysis when we asked respondents to explain ethical issues involved and how to solve them. The seniors were more able to comment, see issues and offer more and better alternative solutions.

These findings supported those suggested by earlier researchers. For instance, Shaub and Lawrence (1996) noted, the more experience an accountant is, the more he or she is unwilling to compromise on ethical standards. Turpen and Whitmer (1997) provided similar conclusion - that age and experience made accountants more mature and more able to overcome and solve ethical conflicts. However, in their review of ethical decision making, Glower et al., (1997) found that years of experience is only positively correlated with confidence in ethical decision making in two out of four scenarios examined by them. While Loe et al. (2000) conclude that years of experience was insignificant in their relationships to ethical decision-making.

On the effects of responsibility levels, Chonko and Hunt (2000) claimed that the evidence seems clear that top management is in a position to have a positive impact on ethical climate and ethical behaviors in organizations. This is consistent with earlier findings by Pratt and Belieau (1992) who found that auditors at different authority levels behaved differently. They suggest that the higher their positions in the organizational hierarchy, the higher are their awareness, sensitivities and need to adhere to ethical principles. In short, it is expected that integrity, independence, professionalism and objectivity will increase with experience.

On the issue that educational background has a direct effect on the behavior of accountants, we reasoned that education could instill values and develop a worldview that might last a lifetime. This concurs with Rest (1988) who had suggested that types and levels of education and the length of time a person get educated and trained could greatly influenced his or her views on ethics. Another reason could be due norm-following. On this issue, Cohen et al (1995) noted that individuals will be more receptive and will be more likely to copy behavior of their peers and group members, whilst Loe et al. (2000) suggested that by increasing the level of awareness of ethical issues could influence ethical behavior. Perhaps, the reason why local graduates are found to be more aware of ethical issues as compared to their colleagues who were trained overseas can be found by going through their curricula. It is now compulsory for accounting graduates in local universities to take a course in business ethics and discussions of the MIA's By-Laws is an integral component of the advanced audit course, whilst those trained overseas were not.

Finally, our results showed that firms' size was a factor that affects accountants' behavior. This is in line with what was found by Loeb (1971) and Noreen (1988). Both of these studies had concluded that large accounting firms are more conscious, sensitive, and inclined to view ethical issues more seriously. This, they reasoned, was due to the need to protect the good name of their firm so that they will be highly regarded in the industry. Also, perhaps, as Pratt and Belieau (1992) had suggested, big firms must have had a proper and tighter internal control systems or as Chonko and Hunt (1985) had contended, they were more likely to see ethical problems as compared to the small ones.

6.0 Conclusion

The accounting profession was founded on the notion that proper ethical behavior is the cornerstone of providing professional services to clients. Changing technologies and business environment have led to transactions becoming more complex. These require accountants to have strong analytical skills and good interpersonal skills, and to provide leadership in financial management. Over and above that they must carry out their tasks diligently and to stand strong on principles of ethics.

This study was conducted to seek answers as to whether or not the codes of ethics influence the behavior of accountants, and if not, what are the factors that condition their views and the manner they solve ethical conflicts. We used auditing staffs of Malaysian public accounting firms as our units of analysis and utilized structured questionnaires as the main method of data collection. Data was inputted and structured using the SPSS-PC.

Two major conclusions can be made from this study. First, the codes of ethics have little or no significant influence on the behavior of accountants. As such, the codes are never a factor or a source of reference in solving ethical issues. We suggest four reasons why the situation exists - lack of exposure to ethics and ethical issues, vagueness of the codes, absence of actual guidelines on how to solve conflicts and not having legal standing to subject offenders to prosecution in the court of law. Secondly, their behaviors are dictated more by other factors namely experience, level of responsibilities, types of education and firm size.

One major implication can be drawn from the findings above - that greater efforts must be made to enhance ethical awareness amongst accountants and increase their (ethical) conflict resolution skills.

The need to find a solution to this is urgent and is a challenge that the accounting profession must respond quickly and effectively. The barrage of mishaps of late befalling accountants do not auger well for the profession. One has to remember that the raison d'etre of accounting is to serve the public. They demand professionalism and integrity, which require us, the accountants, to be objective and independent. In short we have to be ethical. Should the public no longer have faith in what we do, our relevance will be lost. Hence every possible effort must be made and tried by the professional bodies to repel the attacks on the profession.

In all, accountants must rise up to the expectations of the public and the level of good character expected of a profession. The question we need to ask ourselves is - Are the present professional standards enough to meet their expectations?

This, indeed, is the most crucial challenge, which all of us must confront.

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