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PRINCIPLE-BASED ACCOUNTING AND ETHICAL JUDGMENT: AN EMPIRICAL STUDY OF ACCOUNTANT IN IRELAND

THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE MSC INTERNATIONAL ACCOUNTING AND FINANCE

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DECLARATION

I hereby certify that this material, which I submit as the dissertation on the program of study leading to an award of a Master of Science in Accounting and Finance. I declare that no portion of the work referred to in the dissertation has been submitted in support of an application for another qualification of this or any other institute of learning. Further, all the work in this dissertation is entirely my own work, unless referenced in the text as a specific source and included in the bibliography.

Signed  :  ___________________

Date  :  ___________________
Firstly, I would like to thank all of the Msc Accounting and Finance lecturers in Dublin Business School for all their help throughout the course, and in particular to my dissertation supervisor, Cormac Cavanagh, for his valuable guidance, support and encouragement.

Secondly, I would like to express my appreciation to all the individuals who participated in my survey and without naming anyone in particular, my appreciation is extended to individuals for proof reading this paper.

Finally, but most importantly, I would like to express my sincere thanks and appreciation to my lovely husband Mohammad Abu Bakar for everything you have done. Very special thanks to my daughters Arina Athirah, Aira Atikah, Arisya Alyana and my mum for not being available over the past two months. They have supported me throughout the year and they have earned this Master as much as I have!
ABSTRACT

Principal-based accounting (PBA) requires accountant to use their own judgment instead of relying on ‘set of rules’ in preparing the financial statement. PBA which is debatable in term of its reliability is adopted by more than hundred countries around the world compared to rules-based accounting (RBA) which is only adopted in the U.S. accounting system.

The central aim of this study was to examine whether accountants in Ireland are ethical in making judgment under Principle-based accounting (PBA) based on International Accounting Standard 8, 10, 17, 37 & 38. Additionally this research sought to discover the relation of other factor such as the level of education, length of practising accounting, working experience and management interference might influence accountant ethical judgment.

This research involved 133 participants around Ireland. The findings shows that accountant in Ireland is ethical in making judgment under IAS 8, 10, 17 and 38. Furthermore the result shows that the demographic variables positively leads accountant to make ethical judgement. Finally result shows that management interference do influence accountant to involved in unethical act. Findings from this research might give input to accounting standard-setter to improve the guidelines in the accounting standards with the intention of making it more relevant and reliable. The accountancy body in Ireland shall provide seminar, classes and support to improve accountant understanding in particular accounting standard that usually involve with incomplete guideline.

Words : 20,830 excluding abbreviations, bibliography and appendices.
1. INTRODUCTION

The accounting scandals revealed by Enron in 2002 have brought down an established audit firm; Arthur Anderson, which reflects how important it is to retain ethical behaviour. Recently the world has been surprised by the $2.5 Billion accounting fraud in India by Satyam Computer Services (Lakshman, 2009). One year later, Anglo Irish Bank was involved with financial report manipulation in hiding debts that forced the Irish government to pump in over €22 Billion to save the bank (Oliver, 2010), in 2012 financial corruption of $225 million in Russia by a private equity company (Lloyd, 2012); and the latest is frozen seafood giant Pescanova, accused of false billing and hiding debt of 3.3 billion euros (The Malay Mail Online, 2013). Due to endlessly unethical behaviour of accounting fraud, the government have introduced new legislation of Sarbanes-Oxley Act (2002) in Unites States and tightened regulation in UK and European countries. Accountants are the back bone of the firm and it is important for them to retain good ethics in preparing financial statements to ensure the elimination of fraud.

According to Greenfield, Norman and Wier (2008); accountant independency and objectivity towards the company’s financial condition in the annual report will increase public confidence. Accounting standards and code of ethics are guidelines for accountants in preparing the true and fair view of financial statements. There are two key players in accounting standards; International Financial Reporting Standard (IFRS) which applies principle-based accounting (PBA) which is being adopted globally, and U.S Generally Accepted Accounting Principles (U.S GAAP) which applies rules-based accounting (RBA) and only applied in the U.S. There is a conflict that PBA is more open to risk of unethical behaviour because it involves an accountant’s personal judgment compared to RBA that follows bright line detailed rules therefore analysis by Wilkins M. A., (2010); to compare accounting judgment between accountant in U.S (U.S GAAP) and European countries (IFRS). There is sceptical question whether PBA will lead to more ethical behaviour among accountants and thus avoid accounting abuse compared to RBA therefore analysis by Duchac (2004) is regards to dilemma of PBA rules on professional judgment. Analysis by Mary et al. (2012), conclude that IFRS firms have significantly greater accounting systems and value relevance comparability with US firms when they apply IFRS than when they applied non-US domestic standards.
1.1 Research objective

The objective of this research is to identify whether accountants in Ireland are ethical in making accounting judgments based on principle-based accounting (PBA) via selected accounting standards. The research topic will be discussing accounting ethics, PBA, RBA and selected accounting standard; IAS 8, 10, 17, 37 and 38. From the research objective, the researcher will attempt to find whether there is a relation of other factors such as level of education, length of practising accountancy, working experience and management interference which might influence ethics in accounting judgment among accountants in Ireland. Research will focus on selected accounting concepts; IAS 8 accounting policies, estimates and errors, IAS 10 events after the reporting period, IAS 17 dealing with leases, IAS 37 provision, contingent liabilities and contingent assets and IAS 38 dealing with intangible assets. Finally the findings will conclude whether accountants in Ireland have any tendency to involve in unethical judgments under PBA standards.

1.2 Recipients for the research

The dissertation is being submitted in part to fulfil the syllabus of the Dublin Business School, Msc in Accounting and Finance in conjunction with Liverpool John Moore University. The principle recipient is the researchers’ dissertation supervisor; Cormac Cavanagh, the accounting standard setters and accountancy bodies in Ireland. The outcome from this research might give additional input and information why accountants in Ireland are having difficulties in making judgments with selected accounting standard; IAS 8, 10, 17, 37 and 38. The researcher has chosen the entire standard because it is majorly involved with individual judgment which varies from one person to another. Inappropriate judgements might lead to misrepresentation in financial statements which might badly affect the organisation and company stakeholders. The finding from this research will give inputs and ideas to accounting standard setters and accountancy body in Ireland; which might find this subject matter of interest in order to improve the guidelines of PBA.

1.3 Suitability of the researcher

The researcher possesses a diploma in Accounting and a degree in Accounting and Finance. The researcher also has experience of working with a Small Medium Enterprise (SME) for two years and manufacturing companies for three years and in preparing full sets of accounts, therefore finds the research topic of interest. Even though the researcher’s qualification and work experience is in accounting business, there are many areas in this
research topic that not being explored by the researcher. Reading, studying and doing research on accounting standards has made the researcher realise how important and useful the topic is to build up the researcher’s career in the accounting field. This topic has really helped researcher to understand the theory and to apply good ethics in making accounting judgments in real life.

1.4 Research approach and limitation

This research focusses on how accountants use intellect and rationality to interpret and make judgments in certain circumstances. Accountants with different levels of education and work experience will make different judgments in similar circumstances. Based on these matters, the researcher has chosen the survey method to reach findings and possible recommendations. The survey method is most appropriate due to time constraints. Due to time limitations, it is quite difficult for the survey to reach accountants around Ireland. Therefore findings from this research are not capable enough to conclude the research objectives.

1.5 Organisation of the Dissertation

Chapter 1 – Introduction – This chapter gives an introduction to the entire dissertation, explaining the research problems and rationality for choosing the research topic. It also outlines the research objectives, limitations, suitability as well as contribution from the research.

Chapter 2 – Literature Review – This chapter underpins the background information of this research in relation to research objectives and hypothesis. This research also adds new value towards the previous research.

Chapter 3 – Research Methodology and Methods – This chapter outlines a technique used in collecting data for the analysis, the strategy, sampling methods used and ethics in undertaking the research.

Chapter 4 – Data Analysis and Findings – The findings from the questionnaire are summarised with graphs, tables and numbers which are used to explain in relation to the research objectives and hypothesis.

Chapter 5 – Conclusions and Recommendations – This chapter critically examines the findings which will outline the conclusion and appropriate recommendations are made based on the research study.
Chapter 6 – Self Reflection on Own Learning and Performance – This chapter describes the researcher’s learning process, experience during the Masters Programme and challenges in preparing the dissertation. It shows how the researcher changed from having a limited understanding and has grown as an independent researcher.

Chapter 7 – Abbreviations – This chapter includes the list of words that have been shortened in the dissertation.

Chapter 8 – Bibliography – All reference material including books, journals, newspaper, articles, internet sources, used and referred to in the development of this dissertation are listed.

Chapter 9 – Appendices – All appendices referred to in the dissertation are contained in this chapter.

2. LITERATURE REVIEW

According to Gill and Johnson (2002) ‘proper research literature review is necessary to achieve an extremely realistic and reliable base for any research problem or area in order to develop an understanding of the subject’. Researcher agrees that without proper research it is difficult to deeply understand the relation of accounting standard towards ethical accounting judgment.

2.1 Accounting Ethics

Code of ethics (IFAC, 2012) should be applied by accountant in order to perform high quality ethical standard in their work; as expected by IFAC and AICPA in the U.S. Accounting ethics is a set of guideline for accounting practitioner from mishandling and misjudge the financial statements. Since accounting scandals become prominent in most industries, the code of ethics from ICAEW expected the accountancy member to demonstrate highest standards of professional conduct in order to sustain the reputation of the accountancy profession. According to Encyclopedia of Business and Finance (2008) “ethics in accounting is of utmost importance to accounting professionals and those who rely on their services”. Accountants are easily exposed to ethical state such as getting excess to their client sensitive information e.g.; the bank account numbers with detail transaction. This is why it is important for accountant to sustain professionalism and perform proper ethics in order to build a trust in their client. It is vital not to abuse ethics because the consequences not only suspension of
their license to practice accounting but most importantly is consequences of their unethical behaviour towards company shareholder, creditors, investor and other user of accounts. According to Kertz (2006, p. 11), every company in the country is fiddling its profits, every set of published accounts is based on books which have been gently cooked or completely roasted, the figures which are fed twice a year to the investing public have all been changed in order to protect the guilty.

Major example of corporate scandals; Enron Corporation the biggest scandal in hiding debt and inflate cash, Parmalat SpA manipulate $20 Billion in various accounting transaction, Waste Management understating $1.7 Billion in asset depreciation while WorldCom inflate $11 Billion of total assets through capitalization of operating costs and these citing that accounting ethics are difficult to avoid. Another example in 2002, Xerox in U.S. was fined $10 million because inflated its revenues by $2 million (Chung, 2013). Since the collapse of above companies, the role of accountant have been critics for defrauding investors thus shattered public confidence. An establish audit firm also involved in unethical act; KPMG (one of the ‘Big 4’ accounting firms) was involved in a conspiracy of selling fraudulent ‘tax-shelter’ scheme to their client in reducing taxes (Ellard, 2007). Even though the above companies are battling towards bankruptcy, their heavy losses are concealed through manipulation of accounting transaction. Precisely this is the result of unethical accounting behaviour that mishandled accounts. According to Charles D. Niemeir, in the article by Eugene (2005);

*The most disturbing aspect of Enron and similar scandals was not that what was done was wrong, but that what was done was right. Enron did not ignore the rules and regulations, but instead took them and used them to achieve results that were never intended*.

Enron do apply the accounting standards requirement, unfortunately at the same time they used the standards to manipulate the figure in financial statements. Even though Enron claim that they ‘did not ignore the rules’, it is crucial to uphold accounting ethics in order for stakeholders to continue to rely on nonbiased information in providing the true and fair views of financial statements.

It is argued that among other things, failures by accounting firms and individual accountants have contributed to the financial scandals (O’Leary, 2009). Since accounting scandals become famous and lead to more complex corruption, academia begins to recognize the importance of ethics education among accounting students. They believe that good ethics should be applied from the beginning, especially from under-graduate level so that they can
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apply good ethical judgment in preparing financial statement. Therefore research by Cooper et al. (2008); issues involved in teaching ethics to accountancy students, Wynder, Baxter & Laing (2012); student judgment based on incomplete guidance rules, Holmes, Marriott & Randal (2012); ethical behavior towards tax evasion system on accounting students at New Zealand university, Hui-Ling & Wei-Pang (2010); ethical decision making among accounting student while Nadia, Cătălin & Maria (2010); attitudes of Romania student towards IFRS. All of these studies used questionnaire methods to identify level of understanding and how they interpret accounting standards. While research done by Kevin et al. (2010) is related to the importance of ethics education for entry-level accounting positions in order to retain good ethics. Other researchers try to find out whether other factors such as experience and gender affect ethical judgment; Wei & Yunhui (2012), Patricia, Ronald and Bill (2001) study the effect of organizational culture and ethical orientation on accountants' ethical judgment, while research finding by Yi-Hui & Chieh-Yu (2008) relates to how the culture of Taiwanese and American student influenced ethics in accounting judgment. A number of studies previously related to the importance of applying ethics in accounting, accounting judgment among accounting students and factors affecting ethical judgment among accountants and auditors. However there is no research being done on ethical judgment under the PBA standard in the context of accountants in Ireland.

2.1.1 Management Interference

An accountant faces an ethical dilemma when they are involved in a negative financial report that can lead to difficulties and restricted access to borrowing. Management will avoid this situation from occurs, therefore management assigned accountant or finance controller to amend the figures. Analysis by Fenga et al. (2012), finds that Chief Financial Officers are involved in material accounting manipulations because they succumb to pressure from CEOs, rather than because they seek immediate personal financial benefit from their equity incentives. Manipulating the earnings to turn positive, will involve falsifying records or information, changing in company accounting policy and figures, manipulating the revenues, increasing in provision and asset valuation and others. Under accounting term the method of above act is classified as creative accounting because the manipulation is to change the financial statements through earnings management, income smoothing, big bath accounting and aggressive accounting (Mudford and Cimiskey, 2002, p. 49).

Every so often management is too ambitious to continuously generate higher earnings without deeply considering the consequences of their acts. At the beginning, this is
not an intentional fraud but slowly it will lead to the unethical behavior when they bite off more than they can chew. The management is over confident by aggressively involve in high risk investments without contemplating the state of company’s liquidity and debts. For example the sales target at certain level will easily be achieved in the short term and they can prove this to market analysts. However with unexpected increase in operating expense, it is difficult to achieve constant growth in longer period due to stiff competition together with fast changing technology and globalization of the economy. All these factors have driven the managers to manipulate the financial statements either by pressuring the accountant to manipulate the figures and the worse by using the broad guidance of accounting standard. The end result is that the management has gone from honesty to running the company into a corrupt and financially fraudulent manner.

Occasionally company is under pressure to provide higher earnings in order to satisfy stakeholders, market analysis and credit rating agency (CRA). The report from market analyst is a gauge for investors in making their investment decisions which has driven the management to manipulate the financial statements. In the first place the intention of manipulation is to satisfy the stakeholders and related parties but when earnings stays at a positive level, the market and employees start to believe the company is in good position. The management will then start to impose bonus incentives in the company based on the manipulated financial statements. This is unethical and a serious offence by company management because the manipulated earnings will tarnish the company’s reputation in the long term and might drag the company into bankruptcy.

In 2009 one of the U.S. massive investment banks, “Lehman Brothers” collapsed due to financial difficulties that sent shock waves around the world. They were involved in manipulating the information in financial statements just to satisfy the market forecast and the CRA that they had sound financial statements. However due to involvement from Lehman Brothers’ top level management, the audit firm and accountants faced a conflict of interest and difficulties to sustaining their ethics. The audit firm, Ernst & Young assigned to audit Lehman Brothers noticed that Lehman had removed $50bn (£32.2bn) debts off its balance sheets using a device known as a Repo 105 (Blackden, R. 2010). According to Davies (2011, p. 13), “these contracts was to make its balance sheets appear more attractive to the rating agencies and therefore to the market as a whole”. The unethical act and improper financial information will lead to fraud, bankruptcy and jeopardize investor decision making.
2.2 Accounting Standard

Accounting standard is an authoritative statement of how particular types of transaction and other events should be reflected in financial statements. Compliance with accounting standards will normally be necessary for financial statements to give a true and fair view (Credoreference, 2007). It is a guideline for the company to prepare its financial statements that consists of assets, liabilities, income and expenses. The financial statement is important to users of accounts that rely heavily on the information provided in the financial statement. Therefore the information should be relevant, reliable and a faithful representative that shows a true and fair view. Though there are many interpretations, it is acknowledged that true and fair view expresses the responsibility of company management and auditors to show the correct financial position of the company (Amor and Warner, 2003). Financial statements need to comply with the accounting standard that is known as GAAP; sets of rules, accounting principles, and standards that are used in specific countries, regions or industries. There are two key players of standard setter that are globally recognisable; IFRS which is currently adopted globally by more than 100 countries (IFRS adoption by country, 2012). The other is ‘U.S GAAP’ which only applies in the United States. According by Nelson (2003, p. 91) “the US GAAP rules-based include specific criteria, ‘bright line’ thresholds, examples, scope restrictions, exceptions, subsequent precedents, implementation guidance, etc. contrast to the IFRS principles-based standards refer to fundamental understandings that inform transactions and economic events”.

Recently there are analyses that demonstrate the benefit of implementing IFRS. According to Mwape (2010, p. 3) “IFRS are without doubt likely to make greatest contribution to reducing vulnerabilities and strengthening the silence of Zambia financial system”. Analysis by Blanchette and Desfleurs (2011) “IFRS is certainly an important step in the evolution of Canadian accounting and company which has subsidiaries and apply IFRS may be able to use one accounting language and benefit to raise capital abroad” while Cotter, Tarca and Wee (2012, pp. 395 - 419) “adoption of IFRS has improved analyst forecast”. Analysis by Horton, Serafeim and Serafeim (2013, pp. 388 - 423) “IFRS adoption is likely to generate both information and comparability effects and improve the quality of information intermediation in capital markets”.

- 8 -
2.2.1 Principle-Based Accounting

IFRS applies an accounting standard based on PBA, which requires an accountants’ professional judgment in preparing high quality and transparent accounts thus providing true and fair view of financial statement. In simple words, PBA provides a conceptual basis and serves as a guide in order to resolve accounting dilemmas instead of a set of detailed rules to be followed by the accountant. Analysis by Bennett, Bradbury and Prangnell (2006, pp. 189 - 204) relatively more principles-based standards regime requires professional judgment at both the transaction level (substance over form) and at the financial statement level (‘true and fair view’ override). It just provides general guidelines that are not addressed directly to specific matters and it requires the accountants’ own ethical judgment. There are many conditions that require the accountants’ judgment such as guessing the appropriate amount of bad debts and warranty, how much provision should be allocated by an oil company if there is spill in the operating areas, or based on company liquidity and debts are they manage to survive the next financial period which under accounting terms is acknowledged as a ‘going concern’ situation. There are many indicators can be used to identify the ‘going concern’ factor but it also depends on certain circumstances which require the accountants’ judgment. The accountant needs to identify whether there is a possibility of shut down production, because their judgment will affect the whole organization and the company stakeholders. The most critical situation is when the company facing a legal action and accountants has to use their judgment whether there is a need to recognise a provision.

There is an argument that a reliance on principle-based standards will place greater responsibility on accountants and auditors to exercise their professional judgement to present a true and fair view of the organisation’s performance and financial position (Schipper, 2003). The professional judgment will enhance the professionalism of financial statements and give a broad guideline in preparing the accounts which will lead to a simpler standard. According to Sir David Tweedie, “U.S. GAAP is over 25,000 pages. We’re just over 2,500, yet the results are not far away from what you have” (Patterson, 2009). Analysis by Bartha et al. (2012) shows that IFRS firms have greater accounting system and value relevance comparability with US firms when IFRS firms apply IFRS compared when they applied domestic standards and it is comparable in term of earnings smoothing, accrual quality, and timeliness. Analysis by Gordona, Loeba and Zhub (2012), countries which adopt IFRSs results in increased foreign direct investment (FDI) inflows. This indicates countries adopted IFRS will definitely benefit from the standard.
A standard which is too complicated and complex will only provide difficulties to accountants and failure to understand it will lead to wrong interpretations. The broad guideline is much more flexible and able to accommodate similar transactions, new technology and future development of a product. This is the major advantage of PBA because it can be applied for a range of circumstances such as new technology product and hedging transaction. For example the network company; Ericsson have opted not to use hedge accounting under US GAAP instead applying full hedge accounting under IFRS even though using Swedish GAAP as a proxy (Ericsson, no date). For that reason IFRS doubtfully signifies the economics and financial transaction way better than the US GAAP.

There is an argument that PBA will lead to ethical dilemmas due to the lack of guidelines on the application of accounting standards. In the case of determining the probability or possibility of provision, contingent liabilities or appropriate rate of depreciation, PBA provides guidelines and common examples on how to manage the situation but does not state clearly which option or rate should be used. Even though it provides examples, it is not meant to be applies for every circumstances because it’s required ethical judgment on how to apply it appropriately. The consequences of unclear guidance are that different accountants will make different judgments that reach different conclusions. Hence inexperienced accountants would experience difficulty but an experienced accountant can determine clearly the substance over form. According to Mintz (1995, p. 247) “generally accepted accounting principles may not always be clear on the appropriate accounting treatment and the independent auditor must use judgment in making a determination of acceptability”.

The main debatable argument of PBA is that, the freedom of judgment that is based on accountants experience and knowledge might lead to manipulation and unethical behaviour. The U.S Security Exchange (SEC) stated that, it is important to find the right balance between the educated professional judgment, which is fully acceptable and the guessed professional judgment that is fully doubted. For example consider Parmalat SpA, the largest bankruptcy in European history that collapsed in 2003. They manipulated their accounts based on broad guidance of PBA standard by creating a liquidity of $3.9 Billion which did not exist at all. From the auditors’ perspective, PBA raises a question of reliability and consistency of financial reporting across entities. Therefore trusting individual judgment in interpreting the accounting standards might jeopardize the financial statements.
2.2.2 Rules-Based Accounting

U.S GAAP applies an accounting standard based on RBA that must be applied by companies operating in the U.S. The system is based on specific detailed accounting rules that have to be followed and definitely eliminate the concept of personal judgment. Preparing accounts by using specific rules of accounting provides consistency and is ease of understanding due to the accounts’ uniformity. For example consider an airlines company that leases their aircraft. They must follow the rules stated by US GAAP on leasing rules, determining which transactions involve short term operating lease and which are long term finance leases. Under US GAAP, a company cannot simply choose types of leasing that they think would be appropriate to their activities. Even though RBA contributes to consistency, there is an argument that the rigid rules has evoked confusion and this is agreed by Robert Herz (BloombergBusinessweek, 2002), “those who want to comply with rules ... are not always sure of everything they need to look at”. The rules-based approach has been criticized following the failures of Enron and WorldCom (Collier, 2009). In 2009, again the U.S economy was challenged by the collapse of several giant companies such as Lehman Brothers that gave huge impact on the global financial crisis. The main reason behind the global recession was collapse in the property market in the U.S. but at the same time the second major contribution to the collapse was companies supplying unreliable information and denying full disclosure to the users of accounts.

In relation to the Enron and WorldCom scandal, Sarbanese-Oxley Act (SOX) was born in 2002 which mandated the creation of PCAOB to monitor financial disclosure and prevent accounting fraud. The imposition of rigid rules is to avoid accounting manipulation but RBA lacks flexibility especially involving derivatives and securitizations. RBA complex rules are inflexible to accommodate future developments in the market place. It provides useless information to company stakeholders if a company has no flexibility and no options thus has to apply a standard which will not give the true and fair view of financial report. The RBA standard will become useless if the accountants just follow whichever choice is stated in the accounting standard without needing to think of the consequences of their actions. The principle-based ethics served the profession and the financial reporting process better than the current rules-based approach (Spalding and Oddo, 2011). Every so often account preparers are comfortable with RBA due to the rules stated in the accounting standard which can protect them from facing legal charges because they just follow the rules. Analysis by Donelson, McInnis and Mergenthaler (2012) rules-based standards are associated with a lower incidence of litigation but are not associated with litigation outcomes and these are of
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interest in debate regarding the switch to a more principles-based IFRS. It is widely agreed that the major corporate collapses were because of the failure of rules-based standards to prevent misleading and fraudulent in financial reporting (Satava, Caldwell and Richards, 2006). Analysis by Nisbett and Sheikh (2007), shows that companies in the U.S that apply RBA are highly involved in misreporting in financial reports (Appendix 5).

2.3 International Accounting Standard

Accounting standards are generally a set of broad rules which companies must comply when preparing financial statements, details rules governing the accounting treatment of transactions and other items shown in those statements (Melville, 2008, 2011, p. 5). Each country has their own accounting standards developed according to their needs. For example in the UK, it is the Accounting Standard Board (ASB), in US it is the Financial Accounting Standard Board (FASB), in Malaysia it is the Malaysian Accounting Standard Board (MASB) and other countries also have their own standard-setting bodies. Due to globalisation of economy and business around the world, International Accounting Standards Committee (IASC) together with International Accounting Standards Board (IASB) are responsible in developing a single set of high quality international standards which known as IFRS. Analysis by Barth, Landsman and Lang (2007) firms applying IAS generally evidence an improvement in accounting quality between the pre- and post-adoption periods.

The objective is to improve the consistency and uniformity of accounting standards with the intention that it can be accepted and applied globally. Despite sustaining a high quality standard, IASB has reduced choices and eliminate unnecessary variety in order to avoid misunderstanding and exploitation the standard. Therefore up to January 2009, IASC with its successor; IASB has issued 29 IASs and 8 IFRSs. According to Alfredson et al. (2009, p. 11) “the objective of IAS is to facilitate and give guidance to account preparers; however in the absence of interpretation, it also provides a basis for the use of judgement in resolving accounting issues”. This shows that even though IFRS is lack of complicated rules, accountant still manage to rely on general guidelines to make ethical judgment. Among these standards, there are five standards which heavily involve with accountants’ professional judgement such as IAS 8, 10, 17, 37 and 38.
2.3.1 International Accounting Standard 8; Accounting Policies, Changes in Accounting Estimates and Errors

IFRS (2009, p. 1028) IAS 8 prescribes criteria for selecting and changing accounting policies, accounting treatment, disclosure of changes in accounting policies, changes in accounting estimation and correction of errors. Alfredson (2009, p. 657) IAS 8 is relevant where there is no specific standard or interpretation dealing with a particular transaction or event, and the entity must therefore decide on its own how to account for such a transaction or event. Accountants shall use their professional judgement in applying an accounting policy that resulted to relevant, reliable, natural, prudent, immaterial information and faithful representative.

Accounting policies are the principles or conventions applied in preparing the financial statements, such as using the straight line method of depreciation for property, plant and equipment (Alfredson et al., 2009, p. 658). Other examples such as; inventory valuation using FIFO, average cost or other appropriate method, measurement of non-current assets using historical cost or revaluation basis and others. By contrast, accounting estimates is a judgement applied in determining the carrying amount of an item in the financial statement such as an estimate of the useful life of a depreciable asset (Alfredson et al., 2009, p. 658). Other examples such as; bad debts, inventory obsolescence, warranty obligations, the fair value of financial assets or financial liabilities and others. Preparer should be aware if there is a need to revise the estimation rates due to new information, experience and economic condition. An estimate is subjective because it cannot be measured with precision and it requires accountants’ judgment in determining the carrying amount of an item in the financial statement which to reflect the conditions of current reporting period.

For example; during economic downturn sales is declining and number of unpaid debtors is extremely high. In this condition, account preparer should allocate higher rate of doubtful debts which will reduced company earnings. If the rate still remains the same as previous year even though debtors can’t afford to pay, this will boost company earnings which is irrelevance in financial statement. Another example is change in depreciation method of plant and equipment. A factory changed the depreciation method from straight line to reducing balance due to heavy used of an asset. The change in depreciation method, affected the annual depreciation amount and carrying amount including the amount stated in income statement and balance sheet figure. Accountants should use their judgment when applying appropriate rate and suitable method with the intention to prepare faithful representative of financial statement.
2.3.2 International Accounting Standard 10; Events after the Reporting Period

IFRS (2009, p. 1057) events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Events are classified into two; adjusting events which requires entity to make adjustment for the amounts recognised in its financial statement such as sale of inventories after reporting period, the bankruptcy of debtors, the discovery of frauds that illustrate financial statement is incorrect and others. The other is non-adjusting events which an entity shall not adjust the amounts recognised in its financial statements (IFRS, 2009, p. 1059). Examples of non-adjusting events are decline in market value of investments, declaration of dividend after the reporting period, going concern situation and others. However in certain circumstances, entity has to disclose the non-adjusting events such as disposed of major subsidiary, announcing plan to discontinue an operation, purchase of major assets and changes in tax rates or tax laws. Disclosure in the notes to financial statement is important because when events considered ‘material’, it influenced the economic decisions made by the user of financial statement.

During economic downturn, company often faces default payment from their bankrupts’ debtors which will reduce company earnings. Accountants have to justify whether the amount owned by debtors is considered material. For example, McGraw who owned one hundred thousand of money to Pearsom Education on 31 December 2012 was declared bankrupt. This is probably an adjusting event. During 2012 McGraw might already facing financial problem and accounts preparer should either write off McGraw bad debts or create an allowance for doubtful debts. This event might be considered adjusting event because there is probability that company may receive some of payment from its debtors.

Another situation which requires accountant’s judgment is when it involves going concern situation. For example in financial year ended 2011, a company is facing huge losses, sales declining and experienced short of cash to pay wages and lenders. Accountants need to justify whether company will survive in 2012 based on above situation. IFRS (2009, p. 1060) an entity shall not prepare its financial statement on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading. When entity is aware or there is a significant doubt that there is an existence of material uncertainties, this should be disclosed after the reporting period. Ethical and appropriate judgments are important because the decision to shut down operation is absolutely important to company employees, lenders and shareholders.
2.3.3 International Accounting Standard 17; Leases

IFRS (2009, p. 1182) a lease is an agreement whereby the lessor (the supplier) conveys to the lessee (the user) in return for a payment or series of payments the right to use an asset for an agreed period of time. It is the right of lessee to use the asset in short term or all of its economic life, however the asset still owned by the lessor; which is known as substance over form when reality is more important. The leased assets assortment of physical assets such as property, plant, equipment, land, vehicles including intangible assets such as patents and mineral rights. The classification of lease between finance lease and operating lease is depends upon to the extent to which risks and rewards of ownership are transferred to the lessee or remain with the lessor (IFRS, 2009, p. 1182).

There is certain requirement that must be fulfil by lessor and lessee to determine type of lease such as which party should be responsible for asset maintenance, upgrading machine to new software, repair the damage vehicles or how long the term of leases compared to asset useful life. Usually when the lessee is responsible for assets maintenance and rent the assets for all its economic useful life, normally this falls under finance lease. Lease should be distinguished between service agreement, especially when both parties enter into agreement of cleaning and maintenance. This is not lease agreement because it is not involved the right to use of an asset instead it is regard as ‘executory contracts’. When both parties enter into service contract, it is merely an exchange of promise, not of future economic benefits (Alfredson et al., 2009, pp. 510 - 511).

Alfredson et al. (2009, p. 511) “Finance lease is the transfer of substantially all the risks and rewards without transfer of ownership while operating lease is other than finance lease”. IAS 17 involves classification between finance lease and operating lease, classification of lease in land and buildings as separate or one entities or to classify either lessor or lessee will responsible to the maintenance of the property. All those elements will distinguish which transaction shall or shall not appear or recorded in the financial statement and accountants used their judgment to classify between finance lease and operating lease. IASB has not defined clearly the mean ‘substantially’ and this required accountant to justify and use their judgment to decide which type of lease is more appropriate and suitable for their entity. For example to classify whether the lease term cover a major part of the economic life of the leased asset? The standard did not explain ‘major part’ because it depends on type and length of asset economic life; therefore it is subject to accountant judgment. Leases is considered complicated thus IASB has issued exposure draft ended September 2013 for discussion among accounting practitioners in order to improve the standard (IASPlus, 2013).
2.3.4 International Accounting Standard 37; Provisions, Contingent Liabilities and Contingent Assets

IFRS (2009, p. 1885) IAS 37 is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. A provision is a liability of uncertain timing or amount while liability is a present obligation of the entity arising from past events, the settlement which is expected to result in an outflow from the entity resources (IFRS, 2009, p. 1886). Provision occurs when liability is unavoidable and it involve with legal contract, non-legal or constructive obligations (Lewis and Pendrill, 1991, 2004, p. 166).

Example of warranty; there is a present obligation arise because the reporting entity has created a valid expectation from its past actions. Usually it easy for company to justify the provision because company has previously provides warranty due to product damage returned by customers. However when involve in providing provision with uncertain amount, accountant has to determine a range of possible outcomes and then make an estimate that is sufficiently reliable (Melville, 2008, 2011, p. 198). According to IFRS (2009, p. 1892) “the reliable amount should be the best estimates of the expenditure required to settle the present obligation at the end of the reporting period”. The standard give a broad guidelines and normally accountant facing a problem to justify and making judgment on something that is uncertain in the future because there is a grey area between best estimates and most likely outcome. In extremely rare case where it is no reliable estimate can be made, the liability is disclosed as contingent liability in the notes of financial statement.

According to Lewis and Pendrill (1991, 2004, p. 169) “contingent liabilities is a present obligation arises from past events but it is not probable that a transfer of economic benefits will be required to settle the obligation and the amount cannot be measured with sufficient reliability”. Example when entity involved in law suit, whether it is probable or more likely that company may found guilty and had to pay for compensation in the future. Accountant judgment is based on available evidence and whether it is essential to disclose a contingent liability in the notes with the best amount of estimation. In real life case, Shell Company are found guilty and admitted liability for the two spills in Ogoniland and agree to pay compensation of $410 million (Alike, 2011). Before Shell is found guilty by the court, company accountant disclosed the contingent liability in 2010 financial statement. It is important for accountant to provide a reliable estimation amounts, so that company is prepare to face any unexpected payment or liabilities in the future.

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2.3.5 International Accounting Standard 38; Intangible Assets

IFRS (2009, p. 1919) IAS 38 prescribed the accounting treatment for intangible assets, requires entity to recognise an intangible asset if, and only if, specified criteria are met and how to measure the carrying amount and specified disclosures. Intangible asset is an identifiable non-monetary asset without physical substance such as trademarks, patents, copyrights and goodwill and the cost can be measured reliably. According to IFRS (2009, p. 1917) “intangible assets with an indefinite useful life should not be amortised. Even though it is continued to generate cash but it can’t be amortized, instead it need to be evaluated through annual impairment using carrying value less recoverable amount”. Since the economy is badly impact by economic downturn in 2009, lots of intangible assets are affected and reduced its fair market value and some might badly impaired. Accountant must use their judgment and reliable information to identify the cost of impairment because it will reduce company fixed assets in the financial statement.

Internally generated intangible assets (IGIA) are those which have been developed by the entity itself rather than purchased from another entity (Melville, 2008, 2011, p. 103). It is quite difficult to recognise whether and when the IGIA will generate expected future economic benefit. Furthermore it is hard to distinguish between maintenance cost and day-to-day operations cost. This is definitely differed from goodwill which is purchased when entity acquires another company. Accountant used their ethical judgment to recognise the existence of intangible assets based on expenses that occurs during a ‘developments phase’. IFRS (2009, p. 1930), an intangible asset arises during development phase shall be recognised if, and only if, it is available for use or sale, entity can demonstrate there is an existence of readily market and ability to use or sell the intangible asset. Example of development activities are; design of moulds involving with new technology, testing of new drugs and testing of pre-use prototypes. It is important to classify the expense incurred, either normal expenses under income statement or will be amortised under intangible asset. For example a pharmacy company is searching a formula for new drug. During the research stage, the expenses should be recognise in the income statement but during development stage, once the drug is available for use or there is a market to sell the drugs, entity can recognised the existence of intangible assets and amortised the expense.
2.4 Accountancy in Ireland

There are several professional accountancy bodies in Ireland. The pioneer is Chartered Accountant in Ireland (CAI) that was established by Royal Charter in 1888. Other recognisable accountancy bodies are the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountant (CIMA), the Institute of Certified Public Accountants in Ireland (CPA) and the Institute of Accounting Technician (IAT). Based on statistics provided by FRC, there was a total of 312,104 registered accountants in UK and Ireland in 2011 (Appendix 4) of which 21,000 were chartered accountants in Ireland (Roche and Lynch, 2012).

ACCA, CIMA and CPA meet the benchmark of professional accountancy bodies thus making the quality of accountancy in Ireland recognisable in the global market. The development of the accounting profession in Ireland is improving due to high demand for accounting practitioners in the market where multinational companies continue to be the dominant employers. Global giants such as Apple, Microsoft, IBM, Oracle, Google, Pfizer, Cadbury-Schweppes, Dell, Intel and eBay have a strong presence in the country. (EconomyWatch Content, 2010). The 2008-2012 Business Environment Ranking of the Economist Intelligence Unit placed Ireland 11th globally out of 82 countries, as one of the most attractive business locations in the world while Forbes 2011 named Ireland as the best country in Europe in which to do business (IDA Ireland, no date). Quoted from Paul (2010); ‘It is clear that the international markets have fallen in love with Ireland’. Corporation taxation rate in Ireland is the lowest among European countries at the rate of 12.5% (Revenue, no date). It became the main factor driving multinational companies to place their investment and therefore has increased the demand for accountants.

The main accounting firms known as ‘The Big 4’ (PricewaterhouseCoopers, Ernst & Young, Deloitte and KPMG) also place their position in Ireland. These firms are responsible for producing the highest quality accounting practitioners in different fields that is applicable with current global demand. There are 193 public listed companies in Ireland from various types of industry which offer numerous tasks for accounting practitioners (‘Directory of public companies in Ireland’, no date).

Despite their performance, Ireland’s accounting history was hit by corporate scandals for example in 2002 when Elan Corporation plc., a major pharmaceutical company was involved in fraudulent accounting policies by using off-balance sheet vehicles to inflate company share price (The Economist, 2002). Analysis by Jacobs (2002, p. 429) showed how the drug company failed to disclose sufficient information to the stakeholders about how
risksy their investment in the market was. The example from Elan Corporation case would hopefully has made the top level management in Ireland consider fullest disclosure of information for the benefit of their company and users that depend on financial statement information. Later in 2007, Anglo Irish Bank (Anglo) was involved in corrupt of accounting practice in which Anglo’s former chairman, Sean Fitzpatrick had taken €87 Million personal loans from Anglo but did not make it transparent to disclose the information to company shareholders (BelfastTelegraph, 2008).

Even though accountants in Ireland are bound by a code of ethics and guidance by PBA standard, accounting corruption and unethical behaviour still happened. Why and how did this happen? Based on previous research, there is no research being done previously on accountants’ ethical judgment based on accounting standards in the context of accountants in Ireland. Because accountancy in Ireland applies PBA, there are several accounting standards that are heavily reliant on the accountants’ own judgment. Among the various accounting standards, the five accounting standards IAS 8, 10, 17, 37 and 38 are the most crucial areas as they do not clarify clearly on how the accountants should use the standards because they were all based on broad guidelines. The selected accounting standards with other influencing factors will be used in the questionnaire in order to reach the outcome and to conclude whether accountants in Ireland apply good ethical judgment under PBA. The researcher believes the findings from this research might give input to academia in Ireland to focus more on accounting standards which are identified to be inadequate. The researcher also believes that the findings will help the standard setter improve the information and requirements in the accounting standards, in order to improve the ethical judgment of accountants in Ireland. Furthermore the findings from this research might give input to accountancy bodies in Ireland to look further into selected standards, to provide support using the case studies in major important industries or open a workshop and seminar to improve the understanding and properly justify the accounting standards.
3. RESEARCH METHODOLOGY

This section describes the research methodology and the method to be used in data collection to achieve objective of this dissertation. This will include why those methods are being selected, advantages, disadvantages and how the hypothesis is formulated. Literature review helps in understanding the concept involved in this topic while choosing suitable methods to gather primary data will lead to good quality research. According to Hernon (1991) cited in Williamson (2002) research is defined as an inquiry process with clearly defined parameters and three basic aims:

- Knowledge creation or building theories or discovering
- Testing – confirmation – revision – reflection of knowledge and theory
- Investigation of a problem for decision making

3.1 Research Question

As briefly explain in the introduction section, this dissertation intends to study the ethics of accountant in making judgement under PBA. According to Kerlinger and Lee (2000) “a good research question should express a relationship between variables, be stated in unambiguous terms in question form, and imply the possibility of empirical testing”. Based on the proposed dissertation topic, the main research question is:

“Does accountant in Ireland apply good ethics in making accounting judgement under principle-based accounting?”

Apart from main question, there are several questions relates with the research topic:

Q 1) Does broad guidance under IAS 8, 10, 17, 37 and 38 of principle-based accounting influence accountants to make unethical judgments?

   Q 1.1) Does level of education improve accountant’s ethical judgment?

   Q 1.2) Does working experience improve accountant’s ethical judgment?

Q 2) Does management interference will influence accountant’s ethical judgment?
**Broad guidance of principle-based accounting**

PBA is based on accountants’ professional judgment with the guidance from IFRS. It is different from RBA which follow bright accounting set of rules and is arguable when accounting treatment is not suitable in certain circumstances. For example IAS 37, caution is needed in making judgment under uncertainty situation such as; how much it will cost for Oil Company when there is a spill on the seashore from their drilling activities or how much it will cost for the car manufacturer in providing seven years warranty to their customer. How many of their customer is expected to return back for any reparations or damages. These situations need accountant’s judgment that will reflect the actual expenses which assist in evaluating company liabilities and risk. Based on SEC (2003); ‘principles-only standards may present enforcement difficulties because they provide little guidance or structure for exercising professional judgment by preparers and auditors’. The broad guidance did not make accountant less ethical but helping them to deeply understand the standard, the problem occurs and which appropriate method should be applied to justify the problem. Researcher chooses IAS 8, 10, 17, 37 and 38 because these standards require more accountants judgment compared to others. Based on the findings, this research tries to find whether the broad guidance under IAS 8, 10, 17, 37 and 38 of principle-based accounting influence accountants to make unethical judgments.

**Level of education**

To be an accountant, there are several requirements that need to be fulfilled. An accountant must have three years working experience that relates to accounting field and must completed the professional exam paper such as ACA, ACCA and CIMA. These professional papers is prepared by accountancy bodies and surrounds with every aspect of accounting requirements such as auditing, taxation, business management, finance and corporate governance. The syllabus content in professional exam paper is well designed to ensure accountants is capable in making good decision and accounting judgment when dealing with any circumstances that may encounter during performing their job. It is believed that accountants with high level of education will applied good ethics in working environment and more ethical in making accounting judgment. Based on the findings, this research tries to find whether level of education will improve accountants’ ethical judgement.
Working experience

Other than education, their working experienced will built up their knowledge and expertise in making ethical accounting judgment. Accountants that have working experienced in different industries will have greater knowledge and understanding because each industry will apply different judgment based on appropriateness towards the industry. According to Ericsson et al. (2006) “experience in related field might improve ethical behaviour and decision making, boost knowledge regarding ethical issues and have better approach through ethical problems”. For example in IAS 37, accountants who has experienced working in different industries or has experienced practise accounting in long term will know the reasonable amount to be allocate for certain provision or contingent liabilities. Based on the findings, this research tries to find whether working experience will improve accountants’ ethical judgment.

Management interference

According to Albrecht et al (2008, p. 32) “when management is tempted to use accounting figures to misrepresent a company's performance, accountants are perceived by the public as being responsible for ensuring that the misrepresentation does not occur”. Accountants are urged to obey accounting standard therefore public relied on their judgment and ethical behaviour, however every so often there is interference from top level management that might influence accountants’ ethical judgment. According to Lord and DeZoort (2001) “pressure from superiors in working environment significantly increased auditors’ willingness to sign off on an account balance sheet that was materially misstated”. This occurs when company management has to deliver impressive earnings in the financial statement to satisfy stakeholders and market analyst. Occasionally company directors will force accountants to smooth company earnings with the purpose to acquire credit facilities from the lenders. Accountants will face difficulty, involve in sensitive debate and having dilemmas to satisfy management requirement. Simultaneously accountants have to remain ethical as per code of ethics and need to comply with accounting standards requirement. Accounting career demands high ethics therefore accountants should sustain their integrity and professionalism in order to be reliable, competent, honest and objective. Based on the findings, this research tries to find whether management interference will influence accountants’ ethical judgment.
3.1.1 Hypothesis

Based on above research questions, the following hypotheses are performed;

H 1 : broad guidance of PBA influence accountant ethical judgment
    H 1.1 : IAS 8 leads accountant to make unethical accounting judgment
    H 1.2 : IAS 10 leads accountant to make unethical accounting judgment
    H 1.3 : IAS 17 leads accountant to make unethical accounting judgment
    H 1.4 : IAS 37 leads accountant to make unethical accounting judgment
    H 1.5 : IAS 38 leads accountant to make unethical accounting judgment

H 2 : level of education positively influence accountant ethical judgment

H 3 : working experience positively influence accountant ethical judgment

H 4 : management act positively influence accountants in making unethical judgment

Following are null hypotheses from this research that hypotheses relationship does not exist:

H 1 o : broad guidance of PBA has influence on accountant unethical judgment
    H 1.1 o : IAS 8 leads accountant to make ethical accounting judgment
    H 1.2 o : IAS 10 leads accountant to make ethical accounting judgment
    H 1.3 o : IAS 17 leads accountant to make ethical accounting judgment
    H 1.4 o : IAS 37 leads accountant to make ethical accounting judgment
    H 1.5 o : IAS 38 leads accountant to make ethical accounting judgment

H 2 o : level of education negatively influence accountant ethical judgment

H 3 o : working experience negatively influence accountant ethical judgment

H 4 o : management act negatively influence accountants in making unethical judgment
3.2 Structure of Research Method

The structure of research method used in this dissertation is based on ‘research onion’ (Appendix 1) adopted from Saunders et al (2009) which include six stages of structure that reflect the epistemology. Crotty (1998, p. 3) explain; “an epistemology is a way of understanding and explaining how we know what we know’ or theory of knowledge”.

*Figure 1: Research Onion, Source: Saunders, M., Lewis, P. and Thornhill, A. (2003)*
3.2.1 Research Philosophies – Positivism

Research philosophies are important because it will underpin the research strategy and guide the appropriate method used for this research. According to Johnson and Clark (2006, p. 36) “researchers need to be aware of the philosophical commitments through choice of research strategy since this has significant impact not only on what we do but we understand what it is we are investigating”. The research ontology defines by Blaikie (2003, p. 8) “what we believe constitutes social reality or how do we know what is real?” The research philosophy from this topic reflects the principles of positivism. Marsh & Furlong (2002) explain “positivism usually use quantitative methods as research tools, as these are objective rather than subjective and the results generalizable and replicable”. This dissertation deal with objectivism; how accountant justifies their ethical judgement in certain circumstances. According to Cameron and Price (2009, p. 73) “methods, and careful measurement and analysis, and reliability, replicability and validity of measures are the ‘guarantors’ of the knowledge generated”. The accounting standard and code of ethics are obviously understood among accountant, but in justify and interpret accounting judgement, each of them will get different result and some of them might involve in unethical judgment.

3.2.2 Research Approach – Deductive

There are three approach; inductive, abductive and deductive. Inductive argument is radically different because there is no such strength of relationship between reason and conclusions (Cooper and Schindler, 2008, p. 74). It is more suitable with qualitative method because the process will start with observations of certain subject which than will construct a relevant theory. Deductive is the process that will start with an existing theory, than construct and testing the relevant hypotheses which is resulting from the theory. According to Cooper and Schindler (2008, p. 74) “deduction is a form of argument that purports to be conclusive and conclusion must follow the reasons given”. Cameron and Price (2009, p. 79) “abductive research applies where there may genuinely be no prior theory, and where explanation rather than theory-building is the goal”. For this research, deductive approach is adopted which contains development of theory that is subject to hard science. The research begins from general idea to more specific contents; that start with theory, find hypotheses, make observation from surveys and finally confirm the finding which relates with ideas form the beginning. The existing theory and research from secondary data discussed the differences between US GAAP and IFRS, therefore researcher build up the theory of accounting judgment among accountants in Ireland and develop the hypotheses. It will then be tested
among accountants to achieve appropriate results which will conclude the research finding. It is quite difficult to reach respondents all over Ireland in a short time frame and this inspired researcher to apply deductive approach.

### 3.2.3 Research Strategies – Survey

For strategies, there are several methods that can be chosen; experiment, grounded theory, case study, ethnography, action research and exploratory research. The researcher chooses survey method which is appropriate for this research topic. Survey research is the systematic gathering of specific information about particular persons or entities (Brannick and Roche, 1997). In order to generate appropriate questions, researcher sends pilot survey to qualified chartered accountants in order to evaluate the relevant and suitability of the questions. After the questionnaire is finalized, it is distributed among accountants in Dublin which is sent via email, online survey through World Wide Web (www) e.g. FluidSurveys, company email through Human and Resource (HR) Department and conventional survey distributed. Approximately fourteen days are given to participants to complete the survey that distributed manually while email will be observed in daily basis within twenty days. The researcher is not originally from Ireland, hence there were limited connection outside Dublin and therefore researcher applies snowball sampling to reach surveys all over Ireland. The researcher requests permission from participants to email the questionnaire to their friends (accounting practitioners) all over Ireland in order to make data collections and findings for hypothesis more relevant and reliable. There are all together 21 survey questions which divided into 3 sections. The first section relates to demographic that consist of gender, age, qualification, working experience and working industries. The second section consists of 2 questions relates to management interference and the third section consists of 13 questions which relates to accounting standards; 2 questions each on IAS 8, 10, 17, 38 and 5 questions on IAS 37. The survey questions are designed to determine accountants’ perception and judgment on management interference and IAS 8, 10, 17, 37 and 38 are based on appropriate and relevant situation according to each standards.

### 3.2.4 Mono Method – Quantitative

For research choice, the researcher chooses the mono method which is quantitative method that is appropriate for this research topic. DeVaus, (2002) defines quantitative; “techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order”. Based on literature review and ethical judgment
involved in PBA; quantitative method is appropriate to assess the result. The questionnaires (Appendix 9) that involved with problematic situations are used to conclude researcher hypotheses in relation to management interference while questions on their professional judgment are based on accounting standards IAS 8, 10, 17, 37 and 38. The Likert scale is used to evaluate and give accuracy measurement in determine the relation of accountants act with management interference and accountants’ judgment on accounting standards.

3.2.5 Time Horizon – Cross Sectional

The research involved in ‘snapshot’ time horizon; that is cross sectional rather than longitudinal due to time constraint in gathering data and the suitability of research topic. Cross-sectional studies often employ the survey strategy (Easterby-Smith et al. 2008; Robson 2002). According to Bryman and Bell (2007, p. 55) “it entails the collection of data on more than one case, at a single point in time in order to collect a body of quantifiable data with two or more variables”. It’s a study of particular phenomenon at a particular time and it is the same as the research being done that only applicable within short period of time. This research needs to be completed within three months and submitted on 16th August 2013; therefore the researcher is bound by the restriction of time limitation. To complete the research before the dateline, the researcher organised her work and followed the timetable which has been planned earlier (Appendix 2).

3.3 Research Sampling

There are several methods to obtain data; through interview, focus group, observation, literature analysis and reflective diary. For this research, the non-probability sampling is suitable to gathered data and the researcher ensures that accountants around Ireland have an equal chance of being selected. According to Saunders, Lewis, Thornhill (2009, p. 124) “the probability of each case being selected from the total population is not known and it is impossible to answer research question that require in making statistical inferences of the population”. Purposive under non-probability is used for this research because the research hypotheses requires accountants in Ireland who has professional qualification, length of time they practise accounting, industries they involved and different level of education that will shape research findings.
3.3.1 Pilot Survey

Before actual surveys being sent out, the researcher has performed the pilot surveys. According to Blaxter, Hughes and Tight (2001, p. 35) “piloting is the process whereby you try out the research techniques and methods which you have in mind, see how well in practise and if necessary, modify your plans accordingly”. The pilot surveys is important to detect any weaknesses on the questionnaires, will save plenty of times in designing the questionnaires and to avoid any disaster that might occurs during the actual surveys was sent out. The participants is selected from the researchers colleagues who are qualified chartered accountant in Dublin who has at least five years working experience in accounting field. The valuable feedback from the participants is use to improve the quality of questionnaires thus to make the questionnaires more relevant and understandable. For pilot surveys, there are a total of thirty questions which six questions on demographic section and twenty four questions based on selected accounting standards. The feedback from pilot surveys is part of the findings which is deeply explained in Chapter Four. From the feedback, the researcher changes the questions to make it less complicated and narrowed down the standards only on ethical judgment. The sample of questionnaires is attached in Appendix 9. The amend questionnaires is tested to another three participants which give positive feedback and it being sent out to the participants after supervisor reviewed the questionnaires.

3.3.2 Population and Sample Size

There are total of 300 surveys being distributed, which 30 surveys are conventionally distributed while another 270 surveys are sent through email. Furthermore another 60 surveys is expected through snowball sampling. The researchers received back all 30 surveys that distributed manually and 103 from online surveys. 105 surveys is error and excluded from the surveys. There is a total of 133 valid surveys out of 300 invitations through email and distributed manually. From researcher point of view, there is a high percentage to receive back the survey through online due to convenience for participants in term of their timing and flexibility in answering the surveys. The researcher choses the online survey system; “FluidSurveys” which can be accessible through this link; http://fluidsurveys.com/s/PBA/. This is a paid survey website and only available online for a month up to 20th July, 2013. The cost of carrying out the survey through the website is included in the Appendix 3. The researcher sends fifteen email invitations through company Human & Resource Department
which majorly involved in auditing and accounting around Ireland. Within seven working days there are four companies’ replies the invitation and they refuse to participate, while the rest not responding to the invitation. The replies from companies are attached in Appendix 8. Finally the qualified survey is analysed using SPSS software packages which is used for statistical analysis in order to generate appropriate result. One-way ANOVA and Cross tabulation are used to test accountants ethical judgement based on level of education, length of practising accounting and their working experience. Pearson correlation will find out the relationship of accountants ethical behaviour with the influenced of management interference.

3.4 Research Ethics

Ethics in research is a question of how the researcher conducts their research in high moral standard and act in right behaviour. The researcher should remain their moral principles from beginning of preparing the proposal, ethics in using the primary and secondary materials, respect and protect the participants privacy and retain right ethics until the end of the research. According to Bryman and Bell (2007, p. 127) “ethical issues cannot be ignored, in that they relate directly to the integrity of a piece of research and of the disciplines that are involved”. This research involved in quantitative research which is deeply concern on ethics with the participants, therefore during the conduct of the research it is important for the researcher to apply good ethics. Even though the researcher tries to collect and used the data as much as possible but there is restriction not to force participants to participate in the surveys. According to Graziano and Raulin (2007, p. 65) “participants have a right to know what is going to be done to them and to be given enough clear information that they can freely decide for themselves whether to participate”.

From the early stage of completing the proposal, the researcher needs to identify sources used from primary, secondary and tertiary research. From the research process in finding the research topic, the researcher found that there are more than forty topics which relates to ethics in accounting but there is no research being done for ethical judgment under PBA in the context of accountants in Ireland. This is important to ensure there should be no duplication of topic for this research study. For ethical stances, this research fall under ‘ethical transgression pervasive’ which the participants only entitled to certain limit of information and this research involves components which are least ethically disputed. The questions in the surveys relate with management ethics and ethical judgment, therefore this would make participants feels reluctant to give honest answer in the questionnaires.

- 29 -
The cover page of the survey form contain of DBS logo, research topic and purpose of the research which regards to participants personal judgment (Appendix 6). Questionnaires that are related to demographic aspects are general without asking participant name, address, phone number and company name. Letter of requesting permission to send out surveys is emailed to company HR. Department where there is an access to numbers of accountants (Appendix 7). After seven working days, there are numbers of companies replies and rejected due to restriction of confidentiality of their employees therefore researcher need to esteem their opinion and stance (Appendix 8). The researcher requested a permission from the participants to email the questionnaires (snowball sampling method) to other accounting practitioners around Ireland. All information can only be assessed by the researcher and only used for the purpose of this research. All data and surveys are kept in computer with password protected. 105 surveys error is excluded and after the result of dissertation coming out around October 2013, all related data will properly dispose in order to maintain confidentiality.

3.5 Research Limitation

Due to economic downturn in Ireland, there is a rise on rate of unemployment; average of 4.6% in 2007, it rose to 8.6% by December 2008 and 13.1% by the end of 2009 (Barrett and Kelly, 2012). The number of applicable accountants might be lower because company avoid hiring new employees while under-graduate students preferred to further their study or working abroad. One of the hypotheses requires accountants with different level of working experience in different industry that shape their skills and expertise to perform accounting judgment. This is quite difficult because it’s not often for accountants to frequently changing job, so there is a limitation of knowledge if they work in the same industry which they barely exercises the other standards. The survey questions only scattered among accounting practitioners in Dublin. Through snowball sampling, the researcher assumes it reach participants around Ireland, since the dissertation is bound to time and cost constrain. Total questionnaire is 300 out of 21,000 chartered accountants in Ireland which is equal to 1.43% to be distributed. Therefore the result and finding will not reflected accountants in Ireland as a whole.
3.6 Researcher Bias

The researcher is studying and has working experience in using PBA therefore from the beginning; researcher assumes that PBA is more appropriate and practical compared to RBA. For this research, the researcher has only chosen five accounting standards; IAS 8, 10, 17, 37 and 38 instead of other standards which based on the researcher knowledge is the most controversial areas of judgment for accountants. Therefore this research findings will not give a true picture of which accounting standards is the most contentious among accountants in Ireland. However this topic is interesting, beneficial and relevant to the researcher because it is related with accounting carrier that will be pursue by the researcher in the future.

3.7 Time allocation for dissertation

The researcher implements quantitative data collection through emails and handed directly to the participants. The surveys that been hand over to participants is collected back within fourteen days while replies of surveys through email is observed on daily basis within twenty days. The researcher believes that survey answer through snowball sampling around Ireland help to support findings of research hypotheses. Out of 300 surveys, there is 105 surveys error which is excluded from survey answer. Timetable on time allocation in completing the dissertation for the submission date on 16 August, 2013 is attached in Appendix 2.

3.8 Costing Issue

The cost involved from the beginning of preparing and finding the material until the completion of this dissertation. Details on costing issue are attached in Appendix 3.
4. DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter highlights on data analysis from the questionnaire distributed to the respondents around Ireland. From the analysis, researcher outlines findings and conclusions from the research questions and hypotheses.

4.2 Quantitative data analysis

The question designed are relates to research questions and hypotheses which purposely to response to the main research question. There are a total of 21 questions which is divided into three sections; the demographic section that consist of respondent gender, age, their qualification, professional certificate, working experience and sectors they involved. The second section consists of 2 questions which regards to management interference. The last section consists of 13 questions which regards to accounting standard; 2 questions each on IAS 8, 10, 17, 38 and 5 questions on IAS 37. The questions have been reduced from 30 questions during the pilot survey to 21 questions, due to complexity and reliability of the questions.

There are a total of 300 questionnaires being distributed which 30 questions are handed manually while the remaining of 270 questions are email through online via FluidSurveys. All 30 questions which handed manually are received back while a total of 103 replies out of 208 responses are received from online survey. 105 responses are considered error which is excluded from this finding and is equivalent to 50.5%. The overall total of valid questionnaires is 133 out of 300 invitations which equivalents to 44.3%.

4.3 Demographic section

This section attempt to disclose on respondent gender, age, their highest qualification, professional qualification, working experience and sectors they involved.
QUESTION 1

*Figure 2: Genders of respondent*

There are a total of 133 respondents, which 51 or equivalent to 38% is female respondents and 82 or equivalent to 62% is male respondents.

QUESTION 2

*Figure 3: Age of respondent*

The group of age is divided into 4 groups, which the first group is between 20 to 30 years old; 30 respondents, second group which is the highest between 31 to 40 years old; 81 respondents, third group is between 41 to 50 years old consist of 18 respondents and the fourth group is above 50 years old.
QUESTION 3

*Figure 4: Level of education*

This statistic is important to indicate whether accountants with higher education will make ethical accounting judgment. The pie chart shows that 69% or 92 respondents which graduate from first degree, the second largest group of 23% or 30 respondents which graduate from master level, the third group of 5% or 6 respondents which is diploma graduate and finally 4% or 5 respondents which is from doctorate level of education.
QUESTION 4

*Figure 5: Professional qualification*

This statistic is important to indicate whether accountants who partly qualified or has professional certificates will make ethical accounting judgment. From the chart, 73% is the holder of ACCA qualification. 8% is the holder of ACA qualification, 7% is part qualified ACA, 5% is the holder of CIMA and part qualified ACCA while only 1 respondent is part qualified CIMA.
QUESTION 5

*Figure 6: Length of working or practising accounting*

This statistic is important to indicate whether accountants who practise their skills and knowledge in longer term will make ethical accounting judgment. The chart shows that 47% has working experience 6 to 10 years, 20% has working experience 1 year to 5 years, 17% has working experience 11 to 20 years, 8% has working experience less than one year and another 7% has working experience over 20 years.
QUESTION 6

Figure 7: Working sector

This statistic is important to indicate whether accountants who have working experience in various sectors in Ireland will make ethical accounting judgment. The graph shows that 40% of respondents working in accounting practice, 22% of respondents working in manufacturing and industrial areas, 19% of respondents working in banking and finance, 7% of respondents working in education sector, 6% of respondents working in small medium enterprise, 5% of respondents working in education sector, 1% working with developer and .05% each has working experience with energy and insurance.
4.4 Management Interference

There are 2 questions under management interference in order to recognise whether accountant ethical judgment is influence by the management acts and interference. The questions asking respondents opinion whether what is being done by company director and accountant is wrong and unethical. The respondents will answer using Likert scale; according to the measurement either they strongly agree, agree, disagree, and strongly disagree and neutral.

The first question is:

Bradpitt Factory has negative earnings in its financial statements. The Company directors are not happy with the figures because it makes it difficult to obtain financial facilities from lenders and creditors. There are five pieces of machines that are not in use anymore and waiting to be disposed. In order to increase the company’s assets, the company directors follow IAS 16; by asking Angelina (company accountant) to add value to the machines by upgrading to new software and painting the machines with new colour even though they will not be used in the production line.
QUESTION 7

![Figure 8: Company directors’ act is wrong](image)

The graph shows that 68 respondents agree, 54 respondents strongly agree, 7 respondents disagree and another 4 respondents chose neutral.

QUESTION 8

![Figure 9: Company directors’ act is unethical](image)

The graph shows that 67 respondents agree, 53 respondents strongly agree, 7 respondents chose neutral, 5 respondents disagree and 1 respondent strongly disagree.
QUESTION 9

The graph shows that 58 respondents is agree, 33 respondents is strongly agree, 31 respondents chose neutral and 11 respondents is disagree.

QUESTION 10

The graph shows that 54 respondents is agree, 35 respondents chose neutral, 34 respondents is strongly agree and 10 respondents is disagree.
4.4 Management Interference

The second question:

The financial statement of Twitteer Company, a manufacturing company ended 31st December, 2012 and will be authorised by the end of March, 2012. Company director, Mr Instram realises that earnings are negative due to a drop in sales for the past few months because of the economic downturn. The company management agrees to pay 10% bonuses if net profit exceeds previous net profit. In November 2012, Mr Instram had offered their various debtors to take almost 70% of company goods without any payment and have the facility to return the goods within the next six months. This transaction has hugely reduced the inventory level and Mr Instram also asked Keek, the company’s accountant to reduce the provision for bad debts and delay payment to creditors with the argument that this is a common practice in the industry when times are hard. Keek notices that receivables are low but was just following the instruction, thus he is also eligible for the bonus payment. In your opinion:
QUESTION 11

*Figure 12: Company directors’ act is wrong*

The graph shows that 72 respondents agree, 55 respondents strongly agree, 5 respondents chose neutral and only 1 respondent disagrees.

QUESTION 12

*Figure 13: Company directors’ act is unethical*

The graph shows that 68 respondents agree, 56 respondents strongly agree, 7 respondents chose neutral and only 2 respondents disagree.
QUESTION 13

![Figure 14: Company accountants’ act is wrong](image)

The graph shows that 62 respondents is agree, 39 respondent sis strongly agree, 27 respondents chose neutral and 5 respondents is disagree.

QUESTION 14

![Figure 15: Company accountants’ act is unethical](image)

The graph shows that 64 respondents is agree, 39 respondents is strongly agree, 25 respondents chose neutral and 5 respondents is disagree.
4.5 International Accounting Standard

QUESTION 15, IAS 8

During 2009, Kopi O' Company finds it difficult to collect payment from debtors due to an economic downturn. You, as the finance controller propose to increase the bad debts provision from 5% to 9% per annum. The decision to increase the bad debts provision is a change in accounting policy.

Explanation:

According to IAS 8, the changes in the rate of provision are a change in estimation rate. For above case the change of bad debts provision from 5% to 9% is defined as a change in estimation rate thus cannot considered as change in accounting policy.

Result:

Out of 133 respondents, 82 respondents are disagree, 24 respondents are strongly disagree, 17 respondents are agree, 4 respondents think that the accounting principle is inadequate to deal with these problems, 3 respondents are strongly agree and another 3 respondents choose neutral. Based on above explanation, 62% is disagree while 18% is strongly disagree with the question which verifies that accountant has made right decision and judgment.
QUESTION 16, IAS 8

The Facebuuk Factory bought a machine in 2005 that has ten years useful life. According to the machines specialist, the machine needs to be replaced in 2015 for technical reasons. At the end of the 2013 accounting period, the factory should provide provision for the machine.

Explanation:

Machine is a fixed asset to the factory. An asset has a depreciation value each year which is depends on its wear and tear due to usage over a period of time. The process is annually occurs in the company balance sheet as net book value (NBV) without involvement of provision.

Figure 17: Provision on fixed asset, IAS 8

Result:

Out of 133 respondents, 66 respondents is disagree, 38 respondents agree to provide the provision, 11 respondents is strongly disagree, 9 respondents think that the accounting principle is inadequate to deal with these problems, 5 respondents chose neutral and another 4 respondents is strongly agree. Based on above explanation, 49.6% is disagree while 8.3% is strongly disagree with the question has made the right decision and judgment.
QUESTION 17, IAS 10

Pasar Malam Plc has a financial period ended on 31st December each year. The company has declared dividends 30 days after the balance sheet date and accounts will be authorised for issue in four months. The dividend should be recognised as liability in the balance sheet.

Explanation:

The question is regards to events after the reporting period. In the accounting standard, there are lists of events that will affect the financial statements. The board decision of declared dividend after the accounting period will not affected the previous account but need to be disclosed in the notes of financial statements.

*Figure 18: Dividend payment, IAS 10*

Result:

Out of 133 respondents, 77 respondents is disagree, 29 respondents is strongly disagree, 20 respondents is agree to include it as liability, 3 respondents is strongly agree, 3 respondents think that the accounting principle is inadequate to deal with these problems and only 1 respondent chose neutral. Based on above explanation, 57.9% is disagree and 21.8% is strongly disagree which accumulated to 80% that proved accountant has made the right decision and judgment.
QUESTION 18, IAS 10

During 2009, Pasar Tani Plc agreed to shut down one of its production lines which will contribute to 10% workforce redundancy. In February 2010, two months before the authorisation of the financial statements, the management agreed that the cost of redundancy is $100,000. Redundancy cost should be recognised as expense in the income statement.

Explanation:

The management has made the redundancy decision during the financial period which makes employees aware of this situation and shut down of operation is considered as an extraordinary item which is rarely happen. Therefore redundancy cost cannot be recognised as expense in the income statement but recognises a provision due to ‘valid expectation’.

![Figure 19: Redundancy expense, IAS 10](image)

**Result:**

Out of 133 respondents, 56 respondents is disagree, 47 respondents is agree, 17 respondents is strongly disagree, 6 respondents chose neutral, 4 respondents is strongly agree and another 3 respondents think that the accounting principle is inadequate to deal with these problems. There is only a small gap between respondents who disagree; 42% and agree; 35% with the question due to shut down of production is rarely occurs but the highest numbers of accountant has made the right decision.
QUESTION 19, IAS 17

On 28th December 2009, Arnotts Limited sold a machine to Arnetts Limited for $150,000 which has a carrying value of 100,000 and a fair value of $120,000. On 1st January 2010, Arnotts Limited decided to lease back the machine for another eight years under a finance lease. The profit from selling the machine should only be recognised in 2009 financial statement.

Explanation:

The new lease agreement has been agreed by both lessee and lessor. The profit from selling the machine is $20,000 and Arnotts Limited needs to recognise the profit over the lease term of eight years and not only in 2009 financial period.

Result:

Out of 133 respondents, 65 respondents is disagree, 53 respondents is agree, 8 respondents is strongly disagree, 3 respondents think that the accounting principle is inadequate to deal with these problems, 2 respondents is strongly agree and another 2 respondents chose neutral. There is only a small gap between respondents who disagree; 48.9% and agree; 39.8% with the question but the highest number of respondents has made the right decision.
QUESTION 20, IAS 17

Samsun Property is involved in investment property and has a long term relationship with Nokie Corporation. Nokie Corporation has several properties around Ireland. Both companies entered into a lease agreement for 12 years in which Nokie Corporation agreed to lease its 3 storey building located in Galway. Samsun Property should measure land and building as separate unit.

Explanation:

Nokie Corporation is a lessor has leased its building to a lessee; Samsun Property which involved in investment property. Under accounting standard, lessee doesn’t have to measure land and buildings as separate unit because both items are classified as an investment property.

Figure 21: Leasing property, IAS 17

Result:

Out of 133 respondents, 71 respondents is agree, 39 respondents is disagree, 8 respondents is strongly disagree while another 8 respondents chose neutral. 4 respondents think that the accounting principle is inadequate to deal with these problems and 3 respondents are strongly agreed. The highest number of respondents has made the right decision and judgment.
QUESTION 21, IAS 37

During 2009, Bodaphone Telecommunication is having difficulty collecting payment from their debtors due to an economic downturn. The economy is predicted to recover within two years. Bodaphone Telecommunication should write off half of the uncollectable debts.

Explanation:

IAS 37 is heavily dealing with accountant judgment. The above situation occurs during economic downturn which affects debtors’ ability to pay their debts. Under these circumstances, accountant should increase the provision for doubtful debts and should not write off half of the uncollectable amounts.

![Figure 22: Uncollectable debts, IAS 37](image)

Result:

Out of 133 respondents, 93 or 69.9% respondents disagree with the question. 18 respondents is agree, 17 respondents is strongly disagree, 3 respondents chose neutral and another 2 respondents is strongly agree. The accumulated of 69.9% of disagree and 12.8% of strongly disagree which is 82% proved that accountant has made the right decision and good judgment.
QUESTION 22, IAS 37

Homda Limited is manufacturing a luxury family car. During 2009, 500 luxury family cars have been sold. After a month, the Homda Limited engineers realise that there is a serious defect on the engine and all 500 buyers are required to bring back the car to be repaired without any charges. The total cost of repairing the recalled cars is expected to be $1,600,000. Homda Limited should recognise the provision due to existence of constructive obligation.

Explanation:

The above scenario involved with warranty of goods and services provided by the seller. Homda Limited is responsible for the serious defect of the car because there is an existence of constructive obligation in payment of warranty towards their customers. Therefore an accountant should recognise provision in the notes to the financial statements.

Figure 23: Provision on constructive obligation, IAS 37

Result:

Out of 133 respondents, 80 respondents is agree, 34 respondents is disagree, 7 respondents is strongly agree, 6 respondents chose neutral, 5 respondents is strongly disagree and only 1 respondent think that the accounting principle is inadequate to deal with these problems. The accumulated of 60.2% of agree and 5.3% of strongly agree which is 65.5% proved that accountant has made the right decision and judgement.
QUESTION 23, IAS 37

The Sparkling Smile Company is producing toothpaste with an advertising picture of yellow teeth at the packaging. The Dayak Tribe Movement is claiming $500,000 from the company because the advertising picture allegedly compromises the indigenous people. The representative of Sparkling Smile Company estimates that there is a 70 percent probability that the case will be drawn out and a 30 percent probability it will succeed. Sparkling Company should disclosed provision on contingent liabilities in the notes.

Explanation:

Sparkling Smile Company has no present obligation as a result of past event due to the case never happen before. There is 70% probability the case will be drawn out therefore no provision is recognized because there is no existence of present obligation.

![Figure 24: Provision on contingent liabilities, IAS 37](image)

**Result:**

Out of 133 respondents, 63 respondents is disagree, 41 respondents is agree, 15 respondents is strongly disagree, 7 respondents chose neutral, 4 respondents think that the accounting principle is inadequate to deal with these problems and another 3 respondents is strongly agree. Based on above explanation, the highest respondents of 47.4% is disagree and 11.3% is strongly disagree which proved that accountant has made the right judgment.
QUESTION 24, IAS 37

During the financial year 2011, Jervis Pharmacies Company is facing a high level of gearing with debt to equity ratio of 8:2. The company director convinced the shareholder that the level of gearing can be lower through the increment in sales and strategic plan of company new product. Due to high level of debt, slow movement of stock and reduction in sales, the company accountant feels that company is in going concern basis and the situation should be disclosed in the notes.

Explanation:

The going concern situation is rarely happen but there are certain indicator can be used to justify the existence of this event. In the above case, all indicators clearly defined that the company is in going concern situation and accountant should disclosed the situation by notes in the financial statements.

Result:

Out of 133 respondents, 89 respondents is agree, 22 respondents is disagree, 14 respondents is strongly agree, 6 respondents chose neutral, 1 respondent is strongly disagree while another respondent think that the accounting principle is inadequate to deal with these problems. The chart clearly shows that 66.9% accountant has made the right judgment.
QUESTION 25, IAS 37

Mc Domald have sued Mc Comald for $800,000 for copying the trademark of Mc Domald and this resulted in Mc Domald suffering huge losses which is believed to be material to the company. Mc Comald directors' believe that this is only a misunderstanding and according to rumours the charges will be drawn in the future. Mc Comald accountant should recognised provision and disclose brief description the nature of obligation.

Explanation:

Mc Comald accountant should only recognised contingent liabilities because the case never happens before therefore there is no obligation as a result of past events. The provision only occurs when there is probability of any outflow in the settlement will occur in the future.

Figure 26: Provision on court case, IAS 37

Result:

Out of 133 respondents, 81 respondents is agree, 28 respondents is disagree, 8 respondents is strongly disagree, 8 respondents chose neutral, 6 respondents is strongly agree and only 2 respondents think that the accounting principle is inadequate to deal with these problems. The highest respondents of 60.9% have made a different judgment compare with the above explanation.
QUESTION 26, IAS 38

O’Connor Company is manufacturing menswear apparel using its own design ‘Cute’. During 2010, the design was sabotaged and the management decided to change the design and branding the apparel with new name ‘Cuties’ due to ‘Cute’ being badly impaired. The new design of ‘Cuties’ is more unique and stylish which management believe it can discard ‘Cute’ that has no future economic benefit. ‘Cute’ should be derecognised in the financial statement.

Explanation:

The intangible asset of ‘Cute’ has positive indication that it is badly impaired. According to IAS 38, when intangible asset has no future economic benefit, it should be derecognised in the financial statements.

![Figure 27: Derecognised on intangible asset, IAS 38](image)

Result:

Out of 133 respondents, 97 respondents is agree, 16 respondents is disagree, 12 respondents is strongly agree, 6 respondents chose neutral, 1 respondent chose strongly disagree and another respondent think that the accounting principle is inadequate to deal with these problems. The chart clearly shows that 72.9% accountants have made a right decision and judgment.
QUESTION 27, IAS 38

Grafton Drugs Plc is developing a new drug ‘Aungier’ that can cure brain tumour disease. The research group is already at final stage and there is demand and market available for the drugs to be sold. The drug is believed to be effective and will last in the market for a longer period. The new developing drug should be recognised as expense in income statement.

Explanation:

There is a demand and market for the new drug which it is probable that the future economic benefits that are attributable to the asset will flow to the entity. In this case, the development cost cannot charge as expense in the income statement but should be capitalised due to the new drug will generate future economic benefits.

![Figure 28: Development cost on new drugs, IAS 38](image)

**Result:**

Out of 133 respondents, 56 respondents is agree, 51 respondents is disagree, 16 respondents is strongly disagree, 7 respondents chose neutral, 2 respondents is strongly agree and another 1 respondent think that the accounting principle is inadequate to deal with these problems. Even though 42.1% is agree but the accumulated of disagree; 38.3% and strongly disagree; 12% have conclude that highest number of accountants have made the right judgment.
FURTHER ANALYSIS

4.6 Analysis of finding to test the hypotheses.

The findings from section 4.5; for question 15 to 27 that being analyse in the SPSS system has given answer to hypotheses (1) below:

4.6.1 HYPOTHESES 1: broad guidance of PBA influence accountant ethical judgment

H 1.1 : IAS 8 leads accountant to make unethical accounting judgment
H 1.2 : IAS 10 leads accountant to make unethical accounting judgment
H 1.3 : IAS 17 leads accountant to make unethical accounting judgment
H 1.4 : IAS 37 leads accountant to make unethical accounting judgment
H 1.5 : IAS 38 leads accountant to make unethical accounting judgment

Based on the findings, the answer for above hypotheses is almost all the above accounting standard lead accountants to make ethical accounting judgment. Respondents have chosen answer which similar to given explanation. Except for Question 25 under IAS 37 for hypothesis 1.4, the survey outcome shows that the highest number of accountants, choose to recognised provision instead of contingent liabilities. There are 5 questions under IAS 37, however only 1 question has come out with different answer compare to the requirement under accounting standard which researcher conclude that IAS 37 still leads accountant to make ethical accounting judgement.

4.7 One-way between groups Anova with Post-Hoc Tests and Cross Tabulation

Hypothesis 2, 3, 4 is based on survey result that is analysing using appropriate statistics in the SPSS system. Based on the survey findings, only question 25 under IAS 37 is given different answer which is used to test hypothesis 2 and 3.

4.7.1 HYPOTHESIS 2: level of education positively influences accountant ethical judgment.

The hypothesis is examined based on respondents’ professional certificate and level of education using one-way between groups anova with post-hoc tests.
Table 1: Descriptive on Professional certificate

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Table 2: Test of Homogeneity of Variances

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<td>.717</td>
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a. Groups with only one case are ignored in computing the test of homogeneity of variance for Mc Comald accountant should recognised provision and disclose brief description the nature of obligation.

Table 3: ANOVA

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<tr>
<td>Within Groups</td>
<td>70.783</td>
<td>68</td>
<td>1.041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>74.500</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Result:

A one-way between-groups analysis of variance was conducted to explore the impact of respondents with professional certificate on decision on providing provision. Respondents were divided into six groups according to their professional certificate (ACA, ACCA, CIMA, part qualified ACA, part qualified ACCA and part qualified CIMA). There was statistically no significant difference at the \( p > .05 \) level in providing provision for the six groups: \( F (5, 68) = .714, p = .615 \). Despite reaching statistically no significance, the actual difference in mean scores between the groups was quite small. The post hoc tests are not performed due to part qualified CIMA has cases less than two. The effect size, calculated using eta squared, was .04 which considered a small effect size. The mean score for ACA (\( M = 2.33, SD = .816 \)) is similar to part qualified ACA (\( M = 2.40, SD = .894 \)) but significantly different from ACCA (\( M = 2.50, SD = 1.023 \)) and part qualified ACCA (\( M = 3.00, SD = 1.414 \)).
Table 5: Descriptive on level of education

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval for Mean</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>6</td>
<td>3.00</td>
<td>.894</td>
<td>.365</td>
<td>2.06</td>
<td>3.94</td>
<td>2</td>
</tr>
<tr>
<td>First degree, under-graduate</td>
<td>92</td>
<td>2.57</td>
<td>1.082</td>
<td>.113</td>
<td>2.34</td>
<td>2.79</td>
<td>1</td>
</tr>
<tr>
<td>Master, post-graduate</td>
<td>30</td>
<td>2.90</td>
<td>1.185</td>
<td>.216</td>
<td>2.46</td>
<td>3.34</td>
<td>1</td>
</tr>
<tr>
<td>Doctorate</td>
<td>5</td>
<td>3.00</td>
<td>1.871</td>
<td>.837</td>
<td>.68</td>
<td>5.32</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>2.68</td>
<td>1.132</td>
<td>.098</td>
<td>2.48</td>
<td>2.87</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 6: Test of Homogeneity of Variances

<table>
<thead>
<tr>
<th></th>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.597</td>
<td>3</td>
<td>129</td>
<td>.015</td>
</tr>
</tbody>
</table>

Table 7: ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>3.789</td>
<td>3</td>
<td>1.263</td>
<td>.986</td>
<td>.402</td>
</tr>
<tr>
<td>Within Groups</td>
<td>165.309</td>
<td>129</td>
<td>1.281</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>169.098</td>
<td>132</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8: Robust test

<table>
<thead>
<tr>
<th></th>
<th>Statistica</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welch</td>
<td>.884</td>
<td>3</td>
<td>11.364</td>
<td>.478</td>
</tr>
<tr>
<td>Brown-Forsythe</td>
<td>.679</td>
<td>3</td>
<td>10.396</td>
<td>.584</td>
</tr>
</tbody>
</table>
**Table 9: Post Hoc Test on multiple comparisons**

<table>
<thead>
<tr>
<th>(I) Please indicate your highest level of education</th>
<th>(J) Please indicate your highest level of education</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>First degree, undergraduate</td>
<td>.435</td>
<td>.477</td>
<td>.799</td>
<td>-.81 - 1.68</td>
</tr>
<tr>
<td></td>
<td>Master, post-graduate</td>
<td>.100</td>
<td>.506</td>
<td>.997</td>
<td>-1.22 - 1.42</td>
</tr>
<tr>
<td></td>
<td>Doctorate</td>
<td>.000</td>
<td>.685</td>
<td>1.000</td>
<td>-1.78 - 1.78</td>
</tr>
<tr>
<td>First degree, undergraduate</td>
<td>Diploma</td>
<td>-.435</td>
<td>.477</td>
<td>.799</td>
<td>-1.68 - .81</td>
</tr>
<tr>
<td></td>
<td>Master, post-graduate</td>
<td>-.335</td>
<td>.238</td>
<td>.498</td>
<td>-.95 - .28</td>
</tr>
<tr>
<td></td>
<td>Doctorate</td>
<td>-.435</td>
<td>.520</td>
<td>.837</td>
<td>-1.79 - .92</td>
</tr>
<tr>
<td>Master, post-graduate</td>
<td>Diploma</td>
<td>-.100</td>
<td>.506</td>
<td>.997</td>
<td>-1.42 - 1.22</td>
</tr>
<tr>
<td></td>
<td>First degree, undergraduate</td>
<td>.335</td>
<td>.238</td>
<td>.498</td>
<td>-.28 - .95</td>
</tr>
<tr>
<td></td>
<td>Doctorate</td>
<td>-.100</td>
<td>.547</td>
<td>.998</td>
<td>-1.52 - 1.32</td>
</tr>
<tr>
<td>Doctorate</td>
<td>Diploma</td>
<td>.000</td>
<td>.685</td>
<td>1.000</td>
<td>-1.78 - 1.78</td>
</tr>
<tr>
<td></td>
<td>First degree, undergraduate</td>
<td>.435</td>
<td>.520</td>
<td>.837</td>
<td>-.92 - 1.79</td>
</tr>
<tr>
<td></td>
<td>Master, post-graduate</td>
<td>.100</td>
<td>.547</td>
<td>.998</td>
<td>-1.32 - 1.52</td>
</tr>
</tbody>
</table>

**Result:**

A one-way between-groups analysis of variance was conducted to explore the impact of respondents with various level of education on decision on providing provision. Respondents were divided into four groups; Diploma, First degree, Master and Doctorate level. There was statistically significant difference at the p< .05 level in providing provision for the four groups: F (3, 129) = 0.714, p = .402. Despite reaching statistically significance, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was .02 which considered a small effect size. Post-hoc comparisons using the Tukey HSD test indicated that the mean score for Diploma (M = 3.00, SD = .894) was significantly similar with Doctorate (M = 3.00, SD = 1.871). First-degree (M = 2.57, SD = 1.082) did not differ from Master (M = 2.90, SD = 1.185).
4.7.2 HYPOTHESIS 3: working experience positively influence accountant ethical judgment

The hypothesis is examined based on respondents’ length of working experience using One-way between groups Anova with Post-Hoc Tests. The other mechanism is by using Cross tabulation to test the hypothesis above by examine respondents various working sectors.

Table 10: Descriptive on working experience

<table>
<thead>
<tr>
<th>Group</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval for Mean</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
<td></td>
</tr>
<tr>
<td>Less than a year</td>
<td>11</td>
<td>2.09</td>
<td>.701</td>
<td>.211</td>
<td>1.62</td>
<td>2.56</td>
<td>1</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td>27</td>
<td>3.04</td>
<td>1.285</td>
<td>.247</td>
<td>2.53</td>
<td>3.55</td>
<td>2</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>63</td>
<td>2.43</td>
<td>.962</td>
<td>.121</td>
<td>2.19</td>
<td>2.67</td>
<td>1</td>
</tr>
<tr>
<td>11 - 20 years</td>
<td>23</td>
<td>2.96</td>
<td>1.107</td>
<td>.231</td>
<td>2.48</td>
<td>3.44</td>
<td>2</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>9</td>
<td>3.33</td>
<td>1.581</td>
<td>.527</td>
<td>2.12</td>
<td>4.55</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>2.68</td>
<td>1.132</td>
<td>.098</td>
<td>2.48</td>
<td>2.87</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 11: Test of Homogeneity of Variances

<table>
<thead>
<tr>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.080</td>
<td>4</td>
<td>128</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 12: ANOVA

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>16.841</td>
<td>4</td>
<td>4.210</td>
<td>3.539</td>
<td>.009</td>
</tr>
<tr>
<td>Within Groups</td>
<td>152.257</td>
<td>128</td>
<td>1.190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>169.098</td>
<td>132</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 13: Robust Tests of Equality of Means

<table>
<thead>
<tr>
<th>Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welch</td>
<td>3.507</td>
<td>4</td>
<td>31.672</td>
</tr>
<tr>
<td>Brown-Forsythe</td>
<td>3.008</td>
<td>4</td>
<td>38.390</td>
</tr>
</tbody>
</table>

a. Asymptotically F distributed.
**Table 14: Post Hoc Test on Multiple Comparisons**

<table>
<thead>
<tr>
<th>(I) How long have you been working in accounting field?</th>
<th>(J) How long have you been working in accounting field?</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Less than a year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - 5 years</td>
<td></td>
<td>-0.946</td>
<td>0.390</td>
<td>0.115</td>
<td>-2.03 - 0.13</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td></td>
<td>-0.338</td>
<td>0.356</td>
<td>0.878</td>
<td>-1.32 - 0.65</td>
</tr>
<tr>
<td>11 - 20 years</td>
<td></td>
<td>-0.866</td>
<td>0.400</td>
<td>0.200</td>
<td>-1.97 - 0.24</td>
</tr>
<tr>
<td>Over 20 years</td>
<td></td>
<td>-1.242</td>
<td>0.490</td>
<td>0.089</td>
<td>-2.60 - 0.11</td>
</tr>
<tr>
<td><strong>1 - 5 years</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than a year</td>
<td></td>
<td>0.946</td>
<td>0.390</td>
<td>0.115</td>
<td>-1.13 - 2.03</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td></td>
<td>0.608</td>
<td>0.251</td>
<td>0.115</td>
<td>-0.09 - 1.30</td>
</tr>
<tr>
<td>11 - 20 years</td>
<td></td>
<td>0.081</td>
<td>0.309</td>
<td>0.999</td>
<td>-0.78 - 0.94</td>
</tr>
<tr>
<td>Over 20 years</td>
<td></td>
<td>-0.296</td>
<td>0.420</td>
<td>0.955</td>
<td>-1.46 - 0.87</td>
</tr>
<tr>
<td><strong>6 - 10 years</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than a year</td>
<td></td>
<td>0.338</td>
<td>0.356</td>
<td>0.878</td>
<td>-0.65 - 1.32</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td></td>
<td>-0.608</td>
<td>0.251</td>
<td>0.115</td>
<td>-1.30 - 0.09</td>
</tr>
<tr>
<td>11 - 20 years</td>
<td></td>
<td>-0.528</td>
<td>0.266</td>
<td>0.278</td>
<td>-1.26 - 0.21</td>
</tr>
<tr>
<td>Over 20 years</td>
<td></td>
<td>-0.905</td>
<td>0.389</td>
<td>0.143</td>
<td>-1.98 - 0.17</td>
</tr>
<tr>
<td><strong>11 - 20 years</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than a year</td>
<td></td>
<td>0.866</td>
<td>0.400</td>
<td>0.200</td>
<td>-0.24 - 1.97</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td></td>
<td>-0.081</td>
<td>0.309</td>
<td>0.999</td>
<td>-0.94 - 0.78</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td></td>
<td>0.528</td>
<td>0.266</td>
<td>0.278</td>
<td>-0.21 - 1.26</td>
</tr>
<tr>
<td>Over 20 years</td>
<td></td>
<td>-0.377</td>
<td>0.429</td>
<td>0.904</td>
<td>-1.56 - 0.81</td>
</tr>
<tr>
<td><strong>Over 20 years</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than a year</td>
<td></td>
<td>1.242</td>
<td>0.490</td>
<td>0.089</td>
<td>-0.11 - 2.60</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td></td>
<td>0.296</td>
<td>0.420</td>
<td>0.955</td>
<td>-0.87 - 1.46</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td></td>
<td>0.905</td>
<td>0.389</td>
<td>0.143</td>
<td>-0.17 - 1.98</td>
</tr>
<tr>
<td>11 - 20 years</td>
<td></td>
<td>0.377</td>
<td>0.429</td>
<td>0.904</td>
<td>-0.81 - 1.56</td>
</tr>
</tbody>
</table>
Result:

A one-way between-groups analysis of variance was conducted to explore the impact in length of working experience on decision in providing provision. Respondents were divided into five groups; Group 1; less than one year, Group 2; one year to five years, Group 3; six years to ten years, Group 4; eleven years to twenty years and Group 5; more than twenty years. There was a statistically significant difference at the p < .05 level in providing provision for the five groups: F (4, 128) = 3.539, p = .009. Despite reaching statistically significance, the actual difference in mean scores between the groups was quite different. The effect size, calculated using eta squared, was .09 which considered a medium effect size. Post-hoc comparisons using the Tukey HSD test indicated that the mean score for Group 1 (M = 2.09, SD = .701) was differ from Group 2 (M = 3.04, SD = 1.285) and Group 5 (M = 3.33, SD = 1.581). Group 3 (M = 2.43, SD = .962) did not differ from Group 4 (M = 2.96, SD = 1.107).
Table 15: Cross Tabulation on working experiences in various industries.

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Accounting principle is inadequate to deal with these problems</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting practice</td>
<td>2</td>
<td>55</td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>1</td>
<td>77</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.5%</td>
<td>41.4%</td>
<td>3.0%</td>
<td>9.0%</td>
<td>2.3%</td>
<td>.8%</td>
<td>57.9%</td>
</tr>
<tr>
<td>Small medium enterprise</td>
<td>0</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
<td>4.5%</td>
<td>1.5%</td>
<td>2.3%</td>
<td>.0%</td>
<td>.0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Banking and finance</td>
<td>3</td>
<td>22</td>
<td>2</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>36</td>
</tr>
<tr>
<td>% of Total</td>
<td>2.3%</td>
<td>16.5%</td>
<td>1.5%</td>
<td>6.0%</td>
<td>.8%</td>
<td>.0%</td>
<td>27.1%</td>
</tr>
<tr>
<td>Manufacturing and industrial</td>
<td>2</td>
<td>27</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.5%</td>
<td>20.3%</td>
<td>1.5%</td>
<td>6.8%</td>
<td>.8%</td>
<td>.8%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Non-profit Organisation</td>
<td>0</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
<td>3.8%</td>
<td>.8%</td>
<td>2.3%</td>
<td>.8%</td>
<td>.0%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>
### Ethical Judgment on Principle Based Accounting

<table>
<thead>
<tr>
<th>Industry</th>
<th>Count</th>
<th>1</th>
<th>5</th>
<th>0</th>
<th>4</th>
<th>4</th>
<th>0</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>% of Total</td>
<td>.8%</td>
<td>3.8%</td>
<td>.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>.0%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Energy</td>
<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>.8%</td>
</tr>
<tr>
<td>Insurance</td>
<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>.8%</td>
</tr>
<tr>
<td>Developer</td>
<td>% of Total</td>
<td>.0%</td>
<td>.8%</td>
<td>.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

**Result:**
The above Cross tabulation has combined all nine working industries with respondents’ selection from Question 25. Based on Cross tabulation table, majority of respondents from all industries agreed it should recognised provision and disclosed brief description the nature of obligation, instead of recognition in contingent liabilities. Respondents which is agree based on the industries is, 55 respondents from accounting practice, 6 respondents from small medium enterprise, 22 respondents from banking and finance, 27 respondents from manufacturing and industrial sector, 5 respondents from non-profit organisation, 5 respondents from education, 1 respondent from developer which accumulated to 121 out of 133 respondents while each respondents from insurance and energy sector has chosen neutral. This shows that respondents which has working experience in various industries did not positively influence accountant ethical judgment.
### 4.7.3 HYPOTHESIS 4: management act positively influence accountants in making unethical judgment

The hypothesis is examined based on Pearson product-moment correlation coefficient in order to determine the strong or weak correlation between director and accountant unethical act.

**Management interference; question on Bradpitt Factory**

The question on Bradpitt Factory involved with company director using IAS 16 to turn the earnings into positive figures. The director has asked company accountant to manipulate the use of accounting standards which leave accountant with no choice thus has to follow the instruction. Based on survey findings, 35 respondents chose neutral which researcher believes respondents assume Angelina’s act is not considered unethical because she just follow company director instruction and the requirement under IAS 16. The relationship between director act and accountant act was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. There was a strong, positive correlation between the four variables, $r = .619$, .662, .598, .673, $n = 133$, $p < .001$, with wrong and unethical of accountants’ act is associated with wrong and unethical of directors’ act.

**Table 16: Pearson correlations on Bradpitt Factory**

<table>
<thead>
<tr>
<th></th>
<th>The company accountants' act is wrong?</th>
<th>The company accountants' act is unethical?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company directors' act is wrong?</td>
<td>Pearson Correlation .619**</td>
<td>.598**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
<td>.000</td>
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<tr>
<td></td>
<td>N 133</td>
<td>133</td>
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<tr>
<td>The company directors' act is unethical?</td>
<td>Pearson Correlation .662**</td>
<td>.673**</td>
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<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N 133</td>
<td>133</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).**
Management interference; question on Twitter Company

The question on Twitter Company involved with company director has manipulated the inventory level, reduced the provision on bad debts and offer bonuses to company accountant if earnings turn to positive figures. The accountant has no choice but need to follow the company director instruction thus he also eligible for a bonus payment. The survey proved that 103 out of 133 respondents agree that accountant act is unethical due to the existence of bonuses which being offered by company director has influence accountant act. The relationship between director act and accountant act was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. There was a strong, positive correlation between the four variables, \( r = .652, .582, .600, .594, n = 133, p < .001 \), with wrong and unethical of accountants’ act is associated with wrong and unethical of directors’ act.

Table 17: Pearson correlations on Twitter Company

<table>
<thead>
<tr>
<th></th>
<th>The company accountants' act is wrong?</th>
<th>The company accountants' act is unethical?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company directors' act is wrong?</td>
<td>Pearson Correlation = .652***</td>
<td>Pearson Correlation = .600***</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) = .000</td>
<td>Sig. (2-tailed) = .000</td>
</tr>
<tr>
<td></td>
<td>N = 133</td>
<td>N = 133</td>
</tr>
<tr>
<td>The company directors' act is unethical?</td>
<td>Pearson Correlation = .582***</td>
<td>Pearson Correlation = .594***</td>
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<td></td>
<td>Sig. (2-tailed) = .000</td>
<td>Sig. (2-tailed) = .000</td>
</tr>
<tr>
<td></td>
<td>N = 133</td>
<td>N = 133</td>
</tr>
</tbody>
</table>

***. Correlation is significant at the 0.01 level (2-tailed).
5. Conclusions and Recommendations

International Accounting Standards (IAS) is a set of regulated standards of how transactions and events should be reported in the financial statements. The IAS is issued by International Accounting Standards Board (IASB) to ensure the financial statement shows its true and fair view, in order to make it relevant, reliable, understandable and comparable. Accountants, auditors and companies must comply with the regulation because departure from the rules might have an adverse impact on stakeholders.

This dissertation has discussed principle based accounting (PBA) through selected accounting standards, IAS 8, 10, 17, 37 and 38. PBA requires accountants’ ethical judgment and it is important because the transaction will be reflected in the financial statement which will be used by company stakeholders. Out of 13 questions on accounting standards, only one question on provision under IAS 37 has come out with a different requirement regulated in IAS. The rest of the questions follow the IAS regulation. Therefore the researcher concludes for Hypothesis 1; IAS 8, 10, 17 and 38 has positively leads accountants to make ethical judgments.

Management interference is difficult to avoid because usually in certain situations the accountants will face dilemmas and have no other choice. They need to follow instructions given by the management but at the same time they have to comply with ethics by obeying the requirements in the accounting standard. This condition has led accountants to act unethically therefore management should avoid asking accountants to do something that is against the accounting standards requirements. Management should also comply with their ethics because their irresponsible act might have a negative impact on the financial statement. Therefore researcher concludes for Hypothesis 4; management interference has positively leads accountants to make unethical judgment.

The researcher has sent out pilot surveys and the feedback is quite surprising because they find some of the questions difficult and complicated. The participants claim that certain question is complex because they never exercise such judgment in their working areas. They explained that in certain cases such as contingent liabilities, provision and going concern situations it involves discussion with senior accountants and top level management and for cases which are considered rare, they need to refer to the accountancy bodies in Ireland. Accounting issues that relate to provision and contingent liabilities usually involve big companies such as public listed companies (PLC). For that reason when it comes to important decisions, the accountant still needs to refer to the requirement under accounting standard or senior level accountant to ensure they are making the right judgment.
Based on the respondents’ working experience, they normally work in two different industries within ten years. It is difficult for them to regularly change their job because they need to gain experience and deeply understand their work especially those who are involved in the commercial sector. This importance of building up their confidence and understanding in applying the accounting standard however, has limited the accountants’ ability to learn different aspects of accounting. For example an accountant who works in the taxation field will find it difficult to understand the work of an accountant who comes from the manufacturing sector. Even though accountants has worked for more than 10 years, if they are only involved in the same industry and use the same accounting standard, there will be boundaries for them to learn a new accounting standard. This can be seen in question 25, when accountants who have worked for more than 10 years still made a wrong judgment. However this does not show that the respondents purposely did it, but that provision and contingent liabilities, are quite complicated. Under IAS 37, the accounting standard does not state clear rules or guidelines but outlines examples of cases and indicators for accountants to make judgments. This is why an accountant who has less experience in this standard finds it difficult to interpret the state of affairs and fails to categories the situation correctly. Therefore researcher concludes for Hypothesis 3; working experience has positively leads accountants to make ethical judgment.

From the findings, questions 18, 19, 23 and 27 show that the number of respondents who agree and disagree with the question is almost the same. The question deals with situations which are considered rare such as shutting down production and recognition of intangible assets. The events do not occur frequently so they have no practice in applying the accounting standard. They don’t really understand the situation thus randomly pick the answer as it is difficult for them to make their judgment. The same situation was faced by respondents with the Diploma qualification, which can be seen in Table 39 to 42, who have chosen neutral because they don’t have enough knowledge in certain accounting standards compared to accountant with higher qualification. Therefore researcher concludes for Hypothesis 2; level of education has positively leads accountant to make ethical judgment.

This research involved by 133 or equivalent to 1.43% of accountants in Ireland which mainly working in Dublin areas. Furthermore it’s not covered each working sector and public listed companies (PLC) in Ireland. Therefore the finding from this research is inadequate to fully reflect opinion of accountants in Ireland. Hence in future, a continuity research based from this research can be made so that the finding will be more accurate and sensible.
Based on the above findings, IAS 37 on provision, contingent liabilities and contingent assets is considered complicated for accountants to make ethical judgment. Accounting standard setters should provide more examples based on real situations and accountancy bodies in Ireland can provide classes, seminar or workshop for accountants to deeply discuss thus understanding the standard. Accountants should also get involved in a discussion paper prepared by the accounting standard setter, by providing opinions and suggestions. This is because every industry will apply accounting standards according to their needs and suitability. Therefore through this paper, they could improve the accounting standard to be more relevant and understandable for accounting practitioners.

6. SELF REFLECTION ON OWN LEARNING AND PERFORMANCE

6.1 Introduction

This chapter outlines the learning process over one year in completing Msc Accounting and Finance. It also includes the researcher’s experience, her skills development and the challenges faced in completing this dissertation.

The researcher started her academic career with a Diploma in Accounting, fourteen years ago and then took an academic break for quite some time. Within the time, she had working experience with small medium enterprises (SME), manufacturing sector and non-profit organisations doing her best interest; preparing full sets of accounts. After several years, she had an opportunity to further her BA (Hons) in Accounting and Finance in Dublin, Ireland.

The researcher finished her Diploma in Malaysia and First Degree in Ireland. The difference of learning style and approach from lecturers in Ireland has given her a whole new experience. When the researcher decided to enrol for this programme; Msc Accounting and Finance, she thought it would be the same environment during her first degree. But it was totally different because the lecturers encourage students to interact in group discussions and encourage students to express their opinion no matter whether it is wrong or not. The researcher is from an Asian country where her first language is not English therefore this environment has built up researcher’s self-confidence, writing and communication skills. The master programme has introduced her to academic journals, articles and how to use Harvard referencing. Each module in the programme required individual course work and sometimes in group, for which sometime the researcher found the requirement to be quite heavy within the time given. In the first semester the researcher juggled with time management because she needed to set priorities with her family and
at the same time become a full time student, but in the end she managed to get along with the hectic timetables. The whole experience has given her the valuable knowledge and beneficial contribution for herself.

6.2 Learning style

The learning style of each individual is different because each person is different in term of their behaviour. There are many ways of learning styles because each person has different ideas, preferences, differs in how they receive the information, varies in how they interpret and contrasts with others in term of understanding. According to Kolb (1984, p. 41) learning is the process whereby knowledge is created through the transformation of experience. While Stewart and Felicetti (1992) state that, learning styles are educational conditions under which a student is most likely to learn. Therefore, learning styles are the conditions or method or style in which the student prefers to learn. The researcher used learning style instruments which were developed by Felder and Silverman (1988). This instrument is about learning and teaching style for engineering students and lecturers, but it is applicable to all major studies. There are four learning dimensions which are active and reflective learners, sensing and intuitive learners, visual and verbal learners and sequential and global learners.

Figure 29: Model of Felder and Silverman (1988) Learning’s Style Instruments
According to Felder-Silverman, learning styles instruments are:

**Active and reflective learners**
Active learners are people who remember or understand the information by deliberating the topic with others and discussing it with the group, while reflective learners tend to take their time to think about the topic before jumping into discussion. Compared to reflective, the active learners might find it difficult to understand because they cannot apply physical communication in understanding the matters.

**Sensing and intuitive learners**
The sensing learner prefers something that is factual and practical without so much complication and surprises such as doing the laboratory work and solving problems using well-established methods. The intuitive learner prefers discovering possibilities with new concepts and surprises, and is more innovative and creative such as creating a new technology.

**Visual and verbal learners**
Visual learners are people who memorize things through pictures, diagrams, flow charts and films while verbal learners are people who prefer written and explanations from their teacher or lecturer. Both methods are sensible depending on the learner, and which approaches are preferable and suitable for them. Good learners are capable of processing information presented either visually or verbally.

**Sequential and global learners**
The sequential learner is a person who tends to gain understanding in logical stepwise routes and follows the logical flow in finding the solutions such as solving maths homework. The global learner is a person who receives the information arbitrarily but all of a sudden manages to solve the complex problem, although afterwards they may have difficulty in explaining how they managed to solve it.

Based on the above learning styles, the researcher discovered that she falls into the reflective category when it comes to discussing the matter in the class. The researcher prefers to absorb the information given by the lecturer in the class, give full attention during the lecture and only participate in the class when she not understands the topic. Because the researcher less interested in deliberating the matters within group discussion, she automatically falls into visual learners when it comes to understanding and memorizing the subject. She preferred using mind mapping, charts and diagrams for her deeper understanding. This is quite sensible with accounting students because they tend to give full attention when it involves calculation and how to prepare the
accounts during the lecture. They usually prefer to go through everything individually in order to understand the topic and only get involved in group discussion when it really needed.

6.3 Reflection on dissertation process

This dissertation has changed the researcher from not knowing anything on the subject to now becoming an independent researcher. The researcher learns a lot from the process of preparing the proposal to completing the dissertation. From the beginning, in finding the right topic, the researcher had difficulty because she had no research experience. At the beginning, the researchers come up with several different topics. She got an opinion from accounting lecturers regarding the relevance of her proposal topics and finally the last topic was agreed by proposal lecturer Nicole Gross. There were many interesting ideas for the dissertation topic such as taxation, derivatives, securitisation, CRA and European recession. Unfortunately there are a lot of things to be considered before bringing the topic on board, such as the difficulty in getting the right person for interview, the length of time to submit the dissertation, the cost involved and the lack of sources for the topic being selected. There were three meetings with dissertation supervisor Cormac Cavanagh whose opinions and suggestions she really appreciated in helping her improved the dissertation.

From the beginning the researcher thought that the quantitative method was most suitable for this research. At the final stage in preparing the proposal, the researcher than realized that it would be more appropriate to apply an interview method for the research topic. This is because of the relevance and suitability of findings and outcome from the research. The question of ethical judgment is subjective, depending on the accountant’s working experience, their qualifications and how they interpret the situation. Each accountant will interpret and apply different judgments on the same matters or dilemmas. But it is not possible to interview qualified personnel in each different sector in Ireland within three months’ time. Even though the interview would make the findings more relevant and reliable, due to time constraints, the researchers choose to apply a questionnaire which covered 1.43% of accountants in Ireland. The researcher tried her best to construct questions that were understandable for all levels of accounting experience and qualifications.

Pilot surveys were sent out to an accountant who has the ACCA qualification and has five years working experience in the accounting field. On the pilot questionnaire, there were thirty questions on seven different accounting standards including IAS 18; revenues recognition and IAS 41; accounting measurement. However the feedback was quite surprising when the respondent found certain questions were difficult and complicated and took longer than 30 minutes to complete the survey. Due to this feedback, the researcher reduced the questionnaire to twenty one questions
including six questions in the demographic section and discarded the IAS 18 and IAS 41. This was to ensure the questionnaire was relevant and narrowed down to ethical judgement only. For the researcher the process in preparing the questionnaire was the hardest part because the reliability of quantitative research based on a list of questionnaires in order to find the relevant findings. It took approximately twenty days for finding and reading material, preparing the questionnaire, sending out the pilot survey and finalising the questionnaire.

The researcher has chosen the survey method because it is relevant for her dissertation topic and furthermore her husband is a Diplomat in Ireland who has direct contact with Malaysians working here as accountants. From them, the researcher managed to distribute the survey among their colleagues who are also accounting practitioners in Ireland. The researcher performed the pilot surveys which were distributed among researcher colleagues in Dublin. Their response helped the researcher to change the questions in order to make the questionnaire more relevant and reliable. On the first page of the survey form, the researcher clearly stated that the objective of this research is to find out whether the PBA is sufficient, capable and reliable for accountants to make ethical judgments instead of judging their knowledge on accounting standards. This is important to avoid the respondents feeling guilty, embarrassed and reluctant if they do not know the answer, who then might lead them to refuse to answer the survey. During the completion of this research, the researcher managed to learn to use the SPSS system and create an online survey via FluidSurveys. For the researcher the chosen topic and survey method was appropriate with her knowledge, working experience and background.

Sources of material came from various academic journals, articles, reports, newspapers and reliable websites in order to construct the literature review, research objectives, relevant hypotheses and survey questions. Reliable online material was provided by Dublin Business School (DBS) library through EBSCOhost, Emerald, Jstor and Mintel. Among these four, the researcher always refers to EBSCOhost because it contains almost one third of the journals in Emerald and Jstor website and is user-friendly. Mintel does not provide sufficient information on Ireland’s finance and banking sector. In order to get relevant statistics on the numbers of accountants, the researcher searched through reliable newspaper articles in the website. During the preparation of the proposal, the researcher attended the DBS library class to get a deeper understanding in preparing literature review, methodology and how to use the Harvard referencing in order to acknowledge the sources of information. The researcher understands that referencing is a vital component of academic research because it involves the work of others and avoids plagiarism.
The researcher has studied the accounting standards in this topic from her First Degree but learnt it in depth during her Master’s programme which inspired her to choose the topic. Due to her curiosity in these matters, she decided to do the research within the context of accountants in Ireland. Even though the researcher is not from Ireland, she found the process of finding respondents for her survey was quite challenging and exciting and which has influenced the development of her communication and writing skills. At this moment the researcher realises the difficulty of getting respondents to answer the surveys and this has changed her attitude, to appreciate the work of other people in preparing surveys. From the early stages in preparing the dissertation, the researcher found it difficult and sometimes not possible to finish everything on time. Furthermore, the new requirement to submit the dissertation in middle of August, which is earlier compared to the previous semester and this, shortened the length of time for the researcher in collecting the surveys. However, with the guidance on proper time management and allocating the works according to her ability, the researcher found the process of preparing the dissertation was more manageable.

The researcher admits that her knowledge in accounting and research method is growing further after she completed the dissertation. The Msc Accounting and Finance programme has improved her understanding and knowledge and she has gained other skills which have boosted her confidence level that are useful for her future career. Thus, this has given inspiration for her to pursue her study to Doctorate level in the future.
## ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>ASB</td>
<td>Accounting Standard Board</td>
</tr>
<tr>
<td>CAI</td>
<td>Chartered Accountant in Ireland</td>
</tr>
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<td>CIMA</td>
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<td>CRA</td>
<td>Credit Rating Agency</td>
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<td>FASB</td>
<td>Financial Accounting Standard Board</td>
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<td>FRC</td>
<td>Financial Reporting Council</td>
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<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>IAS</td>
<td>International Accounting Standard</td>
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<td>IASB</td>
<td>International Accounting Standard Board</td>
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<td>IAT</td>
<td>Institute of Accounting Technician</td>
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<td>IFAC</td>
<td>International Federation of Accountant</td>
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<td>IFRS</td>
<td>International Financial Reporting Standard</td>
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<td>MASB</td>
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<td>PBA</td>
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<td>Rules-Based Accounting</td>
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<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<tr>
<td>US GAAP</td>
<td>U.S Generally Accepted Accounting Principles</td>
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8 BIBLIOGRAPHY


Ethical Judgment on Principle Based Accounting


Ethical Judgment on Principle Based Accounting


9 APPENDICES

Appendix 1: The research ‘onion’

Source: © Mark Saunders, Philip Lewis and Adrian Thornhill 2008
# Appendix 2: Time allocation for dissertation

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<tr>
<th>Activity</th>
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<td>10 May 2013</td>
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<tr>
<td>Creating data collection instruments</td>
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<td>Administrating data collection instruments</td>
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<tr>
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<tr>
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<td>Submit dissertation to DBS reception</td>
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## Appendix 3: Costing Issue

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<td>Transportation cost for hand out survey manually</td>
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Appendix 4: Number of members in accountancy bodies in 2011 for UK and Ireland

Data provided by Professional Oversight Board (2012)

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<thead>
<tr>
<th>ACCOUNTANCY BODIES</th>
<th>NO. OF MEMBERS</th>
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<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
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<td>CIMA</td>
<td>Chartered Institute of Management Accountants</td>
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<td>ICAEW</td>
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**Principles-Based GAAP (IFRS)**

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Appendix 6: Cover page for questionnaire

Dear Sir / Madam,

I am a post-graduate student in Master of Science in Accounting and Finance from Dublin Business School. Currently I am in final stage in completing my course and one of the requirements of the course is to complete a research study on a related subject matter. Principle-based accounting (PBA) is a broad guideline which allows accountants to apply professional judgment based on variety of circumstances that resulted to different treatment. Using your knowledge and understanding of accounting standard and based on your professional judgment, please select the most appropriate treatment to each case.

The questionnaire will take approximately less than 15 minutes to complete. All information obtained from this questionnaire will only be used for the purpose of this research. Once the research is complete, all questionnaires will be disposed of accordingly. Your participant in this study is totally voluntary therefore if at any stage you feel uncomfortable, you may withdraw from the continuing with the study. I would like to thank you for your co-operation and valuable time to answer this survey.
Appendix 7: Letter permission to company Human & Resource Department

Manager,
Human and Resource Department.

Dear Sir / Madam,

My name is Norhafiza and I am a post-graduate student in Master of Science in Accounting and Finance from Dublin Business School. Currently I am in final stage in completing my course and one of the requirement is I had to complete a piece of research. I would like to request for your permission, to send out questionnaire among accountant in the company.

My research is related to “ethics in accounting judgment under principal-based accounting”. The questionnaire will approximately take less than 10 minutes to complete. All information obtain from this questionnaire will only be used for the purpose of this research. Once the research is complete, all questionnaires will be disposed accordingly. The participation in this study is totally voluntary therefore if at any stage the participant feels uncomfortable, they may withdraw from the study. I would like to thank you for your co-operation and valuable times in forwarding this survey within the company.

Regards,

Norhafiza
Dublin Business School
13/14 Aungier Street
Dublin 2, Ireland
Appendix 8: Replied email from company Human & Resource Department

Replied email from Pricewaterhouse Coopers

Dear Norhafiza

Many thanks for your email regarding sending out your survey.

Unfortunately this is not possible as we cannot release any information regarding our Firm or the clients etc that we work with.

However we wish you the very best with your Masters.

Kind Regards
HR Connect

HRConnect | PricewaterhouseCoopers | One Spencer Dock | Dublin 1 | Ireland
Tel: ¹: + 353 1 792 5800 | 7: + 353 1 792 8656 |
*hr.connect@ie.pwc.com | ý: http://www.pwc.com/ie
Replied email from KPMG

Hi Hafiza,

Thank you for your e-mail and interest shown in KPMG.

Unfortunately at this time we are unable to help you with your project.

I thank you again, and wish you all the best of luck in your studies.

Kind Regards,

Alice Kennedy

Alice Kennedy | Student Programme Co-Ordinator | HR | KPMG |
1 Stokes Place | St Stephens Green | Dublin 2 |
Direct Tel: + 353 1 410 1248 | Tel: + 353 1 410 1000 | Fax: + 353 1 412 1248 |
alice.kennedy@kpmg.ie | www.kpmg.ie

Follow KPMG Careers on:

cid:image001.png@01CD55FD.1CF33480  cid:image002.png@01CD55FD.1CF33480
clid:image003.png@01CD55FD.1CF33480
Appendix 9: Questionnaire

Please indicate your gender
Male
Female

How old are you?
20 - 30
31 - 40
41 - 50
Above 50

Please indicate your highest level of education?
Living Certificate or equivalent
Diploma
First Degree, Under-graduate
Master, Post-graduate
Doctorate

Please indicate if you have completed any professional exam? _________________________

How long have you been working in accounting field?
Less than a year
1 - 5 years
6 - 10 years
11 - 20 years
Over 20 years

Which industries have you worked before including your current job? Please specify if more than one industry
Accounting Practice
Banking & Finance
Industrial
Non-Profit Organisation
Other, please specify __________________________________________
Ethical Judgment on Principle Based Accounting

Question on Management Interference

Bradpitt Factory has negative earnings in its financial statements. The Company directors are not happy with the figures because it makes it difficult to obtain financial facilities from lenders and creditors. There are five pieces of machines that are not in use anymore and waiting to be disposed. In order to increase the company’s assets, the company directors follow IAS 16; by asking Angelina (company accountant) to add value to the machines by upgrading to new software and painting the machines with new colour even though they will not be used in the production line. In your opinion:

The company directors' act is wrong?
Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

The company directors' act is unethical?
Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

The company accountants' act is wrong?
Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

The company accountants' act is unethical?
Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree
Ethical Judgment on Principle Based Accounting

Question on Management Interference

The financial statement of Twitteer Company, a manufacturing company ended 31st December, 2012 and will be authorised by the end of March, 2012. Company director, Mr Instram realises that earnings are negative due to a drop in sales for the past few months because of the economic downturn. The company management agrees to pay 10% bonuses if net profit exceeds previous net profit. In November 2012, Mr Instram had offered their various debtors to take almost 70% of company goods without any payment and have the facility to return the goods within the next six months. This transaction has hugely reduced the inventory level and Mr Instram also asked Keek, the company’s accountant to reduce the provision for bad debts and delay payment to creditors with the argument that this is a common practice in the industry when times are hard. Keek notices that receivables are low but was just following the instruction, thus he is also eligible for the bonus payment. In your opinion:

The company directors’ act is wrong?
- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

The company directors’ act is unethical?
- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

The company accountants’ act is wrong?
- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

The company accountants’ act is unethical?
- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree
Question on Accounting Policies, Estimates and Errors, IAS 8

During 2009, Kopi O' Company finds it difficult to collect payment from debtors due to an economic downturn. You, as the finance controller propose to increase the bad debts provision from 5% to 9% per annum. The decision to increase the bad debts provision is a change in accounting policy.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems

The Facebuuk Factory bought a machine in 2005 that has ten years useful life. According to the machines specialist, the machine needs to be replaced in 2015 for technical reasons. At the end of the 2013 accounting period, the factory should provide provision for the machine.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems
**Ethical Judgment on Principle Based Accounting**

**Question on Events after the Reporting Period, IAS 10**

Pasar Malam Plc has a financial period ended on 31st December each year. The company has declared dividends 30 days after the balance sheet date and accounts will be authorised for issue in four months. The dividend should be recognised as liability in the balance sheet.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems

During 2009, Pasar Tani Plc agreed to shut down one of its production lines which will contribute to 10% workforce redundancy. In February 2010, two months before the authorisation of the financial statements, the management agreed that the cost of redundancy is $100,000. Redundancy cost should be recognised as expense in the income statement.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems
**Ethical Judgment on Principle Based Accounting**

**Question on Leases, IAS 17**

On 28th December 2009, Arnotts Limited sold a machine to Arnetts Limited for $150,000 which has a carrying value of 100,000 and a fair value of $120,000. On 1st January 2010, Arnotts Limited decided to lease back the machine for another eight years under a finance lease. The profit from selling the machine should only be recognised in 2009 financial statement.

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Accounting principle is inadequate to deal with these problems

Samsun Property is involved in investment property and has a long term relationship with Nokie Corporation. Nokie Corporation has several properties around Ireland. Both companies entered into a lease agreement for 12 years in which Nokie Corporation agreed to lease its 3 storey building located in Galway. Samsun Property should measure land and building as separate unit.

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Accounting principle is inadequate to deal with these problems
**Question on Provision, Contingent Liabilities and Contingent Assets, IAS 37**

During 2009, Bodaphone Telecommunication is having difficulty collecting payment from their debtors due to an economic downturn. The economy is predicted to recover within two years. Bodaphone Telecommunication should write off half of the uncollectable debts.

Strongly Agree  
Agree  
Neutral  
Disagree  
Strongly Disagree

Accounting principle is inadequate to deal with these problems

Homda Limited is manufacturing a luxury family car. During 2009, 500 luxury family cars have been sold. After a month, the Homda Limited engineers realise that there is a serious defect on the engine and all 500 buyers are required to bring back the car to be repaired without any charges. The total cost of repairing the recalled cars is expected to be $1,600,000. Homda Limited should recognise the provision due to existence of constructive obligation.

Strongly Agree  
Agree  
Neutral  
Disagree  
Strongly Disagree

Accounting principle is inadequate to deal with these problems
The Sparkling Smile Company is producing toothpaste with an advertising picture of yellow teeth at the packaging. The Dayak Tribe Movement is claiming $500,000 from the company because the advertising picture allegedly compromises the indigenous people. The representative of Sparking Smile Company estimates that there is a 70 percent probability that the case will be drawn out and a 30 percent probability it will succeed. Sparkling Company should disclosed provision on contingent liabilities in the notes.

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

Accounting principle is inadequate to deal with these problems

During the financial year 2011, Jervis Pharmacies Company is facing a high level of gearing with debt to equity ratio of 8:2. The company director convinced the shareholder that the level of gearing can be lower through the increment in sales and strategic plan of company new product. Due to high level of debt, slow movement of stock and reduction in sales, the company accountant feels that company is in going concern basis and the situation should be disclosed in the notes.

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

Accounting principle is inadequate to deal with these problems
Mc Domald have sued Mc Comald for $800,000 for copying the trademark of Mc Domald and this resulted in Mc Domald suffering huge losses which is believed to be material to the company. Mc Comald directors' believe that this is only a misunderstanding and according to rumours the charges will be drawn in the future. Mc Comald accountant should recognised provision and disclose brief description the nature of obligation.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems

**Question on Intangible Asset, IAS 38**

O’Connor Company is manufacturing menswear apparel using its own design ‘Cute’. During 2010, the design was sabotaged and the management decided to change the design and branding the apparel with new name ‘Cuties’ due to ‘Cute’ being badly impaired. The new design of ‘Cuties’ is more unique and stylish which management believe it can discard ‘Cute’ that has no future economic benefit. 'Cute' should be derecognised in the financial statement.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems
Grafton Drugs Plc is developing a new drug ‘Aungier’ that can cure brain tumour disease. The research group is already at final stage and there is demand and market available for the drugs to be sold. The drug is believed to be effective and will last in the market for a longer period. The new developing drug should be recognising as expense in income statement.

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

Accounting principle is inadequate to deal with these problems

*Online Questionnaire Tools powered by FluidSurveys*
Appendix 10: Table for findings on accounting standards.

Table 26  Change in provision, IAS 8

Question 15

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Table 27  Provision on fixed assets, IAS 8

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Table 29  Redundancy expense, IAS 10

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**Profit recognition on finance lease, IAS 17**

**Question 19**

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### Table 31  
**Leasing properties, IAS 17**

**Question 20**

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Table 32  Uncollectable debts, IAS 37
Question 21

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Table 34  Provision on contingent liabilities, IAS 37
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Table 37  
Derecognised on intangible asset, IAS 38  

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Table 38  Development cost on new drugs, IAS 38

Question 27

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Appendix 11: Cross Tabulation on Diploma qualification

Table 39 Diploma qualification with change in provision, IAS 8

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The decision to increase the bad debts provision is a change in accounting policy.
Table 40 Diploma qualification with redundancy expense, IAS 10

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Table 41 Diploma qualification with uncollectable debts, IAS 37

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Ethical Judgment on Principle Based Accounting

Table 42 Diploma qualification with provision on contingent liabilities, IAS 37

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