

THE IMPORTANCE OF PROFESSIONAL ETHICS FOR ACCOUNTANTS IN THE DIGITAL AGE

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Abstract: *The digital age brings many challenges to the modern business world. Due to these significant challenges, the issue of ethics is gaining increasing attention. Ethics focuses on making moral decisions and acting upon them. Both in private and professional life, it is important to be honest, fair, and a good person. Ethics and ethical behavior are extremely important in the work of accountants, and they should apply the code of professional ethics for accountants. Proper application of professional ethics, rules, norms, laws, principles, and ethical codes significantly contributes to a positive work environment. The fundamental beliefs and value systems that accountants apply affect their work and, consequently, influence the trust in the results of their work. Financial statements provide information about an organization's operations, and accountants are responsible for ensuring that this information is accurate and reliable. Nowadays, trust in financial statements has been significantly damaged, but when ethical norms are visibly applied in the behavior of accountants, it greatly influences the trust in their work and the accuracy of the data presented in financial reports. The subject of this research is to determine how significant the application of professional ethics of accountants is in the digital age. The goal is to identify how applying the International Code of Ethics for Professional Accountants contributes to the quality of accountants' work. The paper presents the most important results of empirical research related to accountants' perceptions of the importance of applying ethical principles in the accounting profession. The results show a high level of awareness among accountants regarding the importance of applying the highest ethical standards, which is encouraging and instills confidence in strengthening the integrity of the accounting profession in the future.*

Keywords: *ethics, professional ethics of accountants, accounting profession, financial reports*

INTRODUCTION

Accountants perform their work by respecting the employer's requirements on one hand, while on the other hand, they bear the responsibility to carry out their duties professionally and to protect the reputation of the accounting profession. In the era of digitalized business, it is increasingly being discovered that financial statements do not reflect the true state of business operations, which raises the need for further consideration of business ethics. One of the measures for preventing fraud in financial statements is the establishment of internal company procedures through which internal control is implemented with the aim of identifying which actions and transactions are unethical (Osmanović & Jusupović, 2019, p. 293).

Serious disruptions in economic processes and human relations indicate the importance of applying ethics in business practices. In order to ensure dignity and restore trust in the accounting profession, accountants are required to behave in accordance with specific rules defined in codes of ethics, which primarily emphasize moral norms in behavior. In addition to professional ethics, accountants are also obligated to comply with applicable legal regulations. The Code of Ethics for Professional Accountants aims for accountants to carry out their professional duties with integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Segregation of duties is one of the fundamental control procedures that reduces the likelihood of an employee being able to commit and conceal errors, irregularities, or fraud (Osmanović & Šarić, 2024, p. 306).

This paper presents the basic characteristics and principles of professional ethics for accountants, as well as how professional ethics contribute to the reliability of financial reporting. In relation to the above, an empirical study was conducted on the impact of applying the international code of professional ethics on the quality performance of accounting work.

I. Theoretical basis of the research

I.1. The term of creative accounting

The word ethics originates from the Latin word meaning morality. Ethics is “a philosophical discipline that examines the goals and meaning of moral desires, the fundamental criteria for evaluating moral acts, as well as the basis and source of morality in general” (Sever, Tušek & Žager, 2012, p. 164). The results show that companies where organizational culture and work climate are ethically oriented, and where written codes of ethics exist, are more successful in raising employees' awareness of appropriate ethical behavior (Gibson et al., 2009, p. 467). The system of moral values of every individual is developed and acquired from early childhood within the family, but under the influence of the environment and the society in which the individual lives, changes to the acquired moral values can occur. Ethics as a scientific discipline studies the principles of proper, good, and moral action, and ethical principles determine what is acceptable and unacceptable behavior. In the digital age, ethics in business is given special importance and attention. Business ethics can be defined as 'the ability to reflect on values in the decision-making process in corporations, in order to determine how these values and decisions affect different stakeholder groups and to identify how managers can use these insights' (Certo & Certo, 2006, p. 66). Every organization strives to have employees who are professional and competent, but in addition, it is especially important that employees possess certain moral qualities and adhere to the rules and norms of ethical behavior. The application of ethical behavior in an organization depends on the individual, but it also largely depends on whether the organization has established written rules of ethical conduct. Internal control plays an increasingly important role and is reflected in the protection of assets, and in the prevention and detection of fraud and irregularities that may occur during business operations (Osmanović & Šarić, 2023, p. 95).

Business ethics is a system of business principles or values aimed at harmonizing business efficiency with the ethical dimension of operations (Hunjet & Kozina, 2014, p. 192). Business ethics represents a code of conduct accepted in the business world, which protects

both the organization and its employees, and has therefore become an integral part of the modern business environment. Accounting ethics is defined as a set of generally accepted moral norms based on ethical values required when preparing and presenting financial information related to a specific institution or company (Bedecković, 2013, p. 103).

I.2. Fundamental Principles of the Code of Ethics for Professional Accountants

The Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), is the most well-known and most widely applied code in the accounting profession. The International Federation of Accountants was founded in 1977 with the aim of serving the public interest and strengthening the accounting profession, through the adoption of various professional standards and written rules of conduct for accountants, as well as through numerous other forms of professional activity. Within IFAC, there is a special board for the development of international ethics standards for accountants (IESBA – International Ethics Standards Board for Accountants), which developed the Code of Ethics for Accountants. This code consists of three parts: the first part refers to the general section, the second part refers to accountants in public practice, and the third part refers to accountants in business.

The Code contains the following material (IESBA, 2023, p. 8–9):

- Part 1 – Complying with the Code, Fundamental Principles, and the Conceptual Framework, which includes the fundamental principles and the conceptual framework, and applies to all professional accountants.

- Part 2 – Professional Accountants in Business, which includes additional material relevant to professional accountants working in business entities while performing professional activities. Professional accountants in business include those who are employed, engaged, or contracted in executive or non-executive positions in, for example: Commerce, industry, or service sectors; Public sector; Education; Non-profit sector; Regulatory or professional bodies. Part 2 also applies to individuals who are professional accountants in public practice when performing professional activities within the context of their relationship with the firm, whether as contractors, employees, or owners.

- Part 3 – Professional Accountants in Public Practice, which includes additional material applicable to professional accountants in public practice when providing professional services.

- International Independence Standards, which contain additional material applicable to professional accountants in public practice when performing assurance services, and include:

- Part 4A – Independence for Audit and Review Engagements, which applies when conducting audit or review engagements

- Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements, which applies when performing assurance engagements that are not audits or reviews

- Glossary, which contains defined terms (along with additional explanations where appropriate) and described terms that have a specific meaning in certain parts of the Code. For example, as stated in the Glossary, in Part 4A, the term “audit engagement” applies

equally to both audit and review engagements. The Glossary also includes lists of abbreviations used in the Code and in other standards referenced by the Code.

Due to the complex political system in Bosnia and Herzegovina, there are two professional organizations whose aim is to develop the accounting profession. They are responsible for organizing the acquisition of professional titles in the field of accounting and auditing, providing education in the accounting profession, ensuring compliance with the code of ethics, translating international accounting standards, and maintaining a certain level of quality within the accounting profession (Osmanović, Šarić & Čanić, 2023, p. 18). In Bosnia and Herzegovina, the Law on Accounting and Auditing prescribes the obligation to apply accounting and ethical standards; however, practice shows non-compliance with these regulations.

II. Methodology

II.1. Population and Sample

The conducted empirical research aimed to demonstrate the importance of professional ethics for the accounting profession. The target population in this research consisted of employees in accounting and finance departments within the territory of Bosnia and Herzegovina. Scientific research on the impact of professional ethics of accountants on the accounting profession was carried out through a survey questionnaire. A total of 44 employees returned duly completed questionnaires. The objective of the research was to determine the significance of professional ethics in the field of accounting. Accordingly, the paper sets forth one main and one auxiliary scientific hypothesis:

H1: Accountants' attitudes towards ethical behavior are related to their knowledge of the Code of Ethics for Professional Accountants.

PH1: The application of the Code of Ethics for Professional Accountants in the digital age has a positive impact on reducing fraud.

II.2. Statistical Analysis

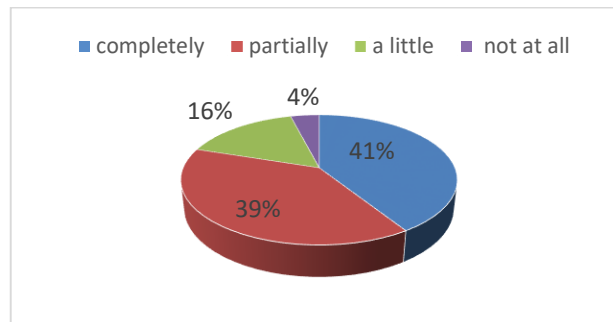
The conducted scientific research included the collection of primary data using the survey method, through a questionnaire intended for accounting employees. Out of a total of 66 questionnaires sent via email between December 1, 2024, and December 31, 2024, 44 were returned duly completed, representing a response rate of 66.66% of the total sample. This response rate is considered acceptable for this type of research. However, it should be emphasized that the results of this research do not represent a rule, but can serve as a useful guideline for future research.

III. Results

The Code of Ethics for Professional Accountants requires professional accountants to adhere to fundamental ethical principles. It also mandates the use of a conceptual framework to identify, evaluate, and address threats to compliance with those principles. This research aimed to examine whether accountants consider professional ethics to be significant for the accounting profession.

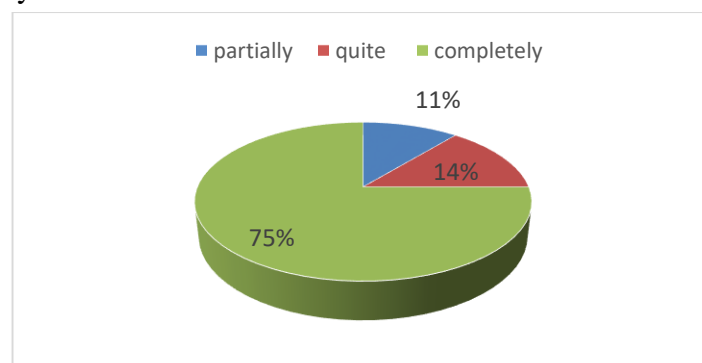
The Code of Ethics for Professional Accountants should be known and understood by every accountant in order to perform accounting activities as effectively as possible. Based on the conducted research, 41% of respondents are fully familiar with the provisions of the Code, 4% are not familiar at all, 16% are slightly familiar, while 39% are partially familiar with its provisions.

Figure 1. Familiarity of respondents with the provisions of the Code of Ethics for Professional Accountants



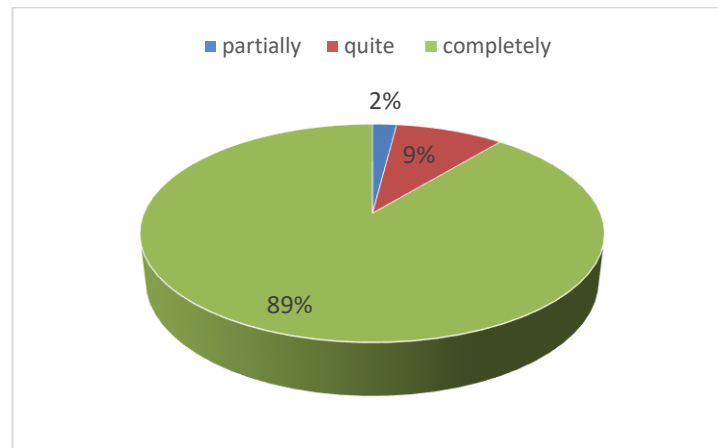
Although professional ethics implies that accountants should perform their duties objectively, the research results provide insight into how this expectation is perceived in practice. According to the data, 33 respondents (75%) believe it is fully justified to expect accountants to carry out their work objectively. An additional 6 respondents (14%) consider this expectation to be quite justified, while 5 respondents (11%) believe it is only partially justified. Notably, none of the respondents indicated that such an expectation is unjustified or only slightly justified. Based on the collected responses, it can be concluded that there is a clear understanding that accountants are expected to perform their duties with a high degree of objectivity, independence, and impartiality.

Figure 2. Respondents' perceptions of how justified it is to expect accountants to perform their work objectively



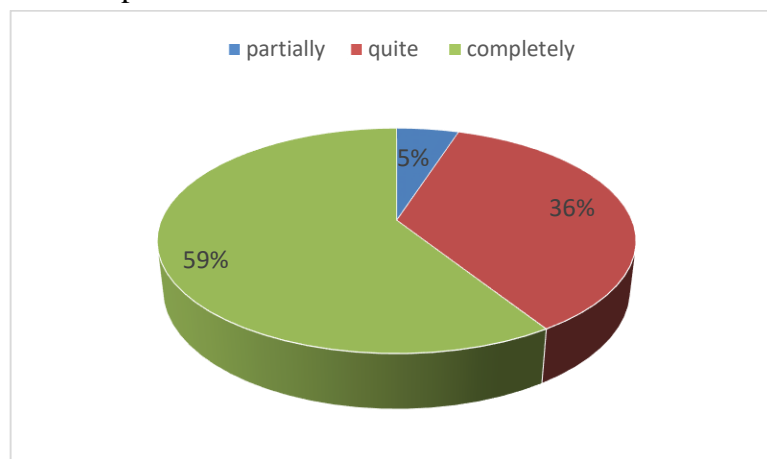
The accountant's code of ethics prescribes honesty in performing the job. The conducted scientific research led to the realization that 39 respondents (89%) believe that accountants can be expected to perform their work confidentially, 4 respondents (9%) believe it is quite justified to expect accountants to perform their work confidentially, and only 1 respondent (2%) believes it is partially reasonable to expect honest performance of accounting duties.

Figure 3. Respondents' opinions on how reasonable it is to expect accountants to perform their work confidentially



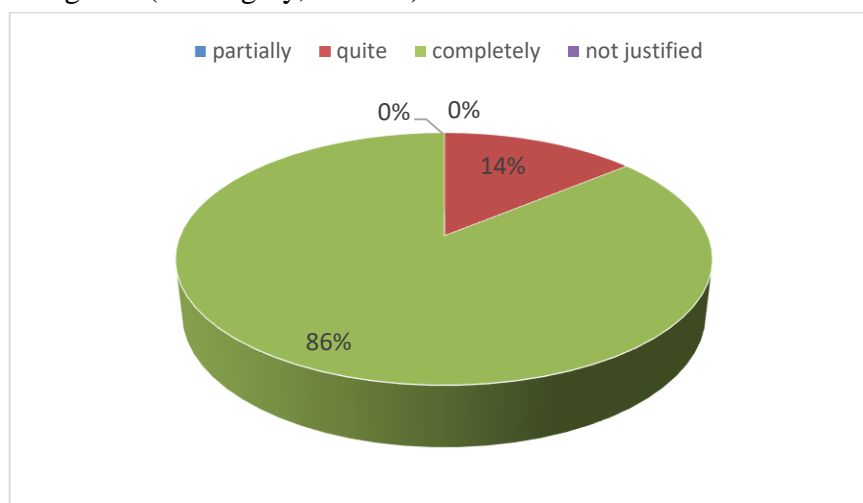
Based on the Code of Ethics for professional accountants, which requires professional competence, the research showed how many respondents believe it is reasonable to expect accountants to acquire and maintain professional competence. Out of the total number of respondents, 26 (59%) think it is completely justified to expect accountants to acquire and maintain professional competence, 16 respondents (36%) think it is quite reasonable to expect it, and 2 respondents (5%) think it is partially justified to have such an expectation, as shown in the following graph.

Figure 4. Respondents' opinions on how reasonable it is to expect accountants to acquire and maintain professional competence



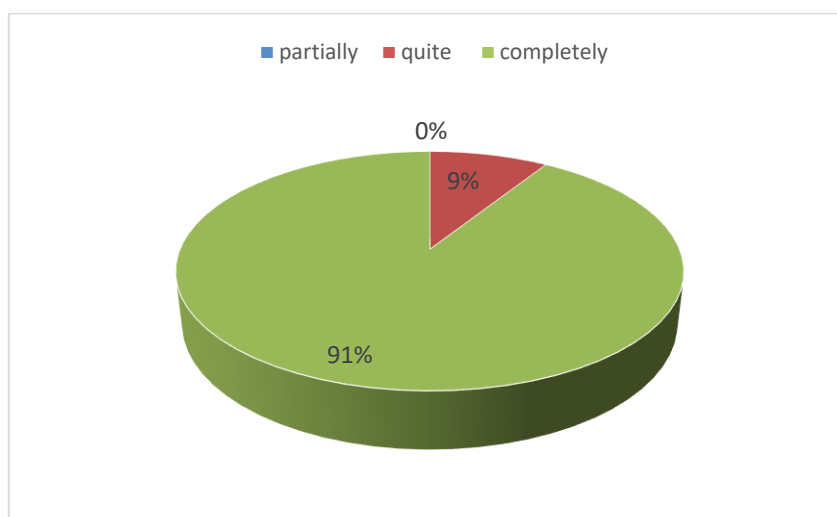
The Code of Ethics for Professional Accountants requires accountants to perform their work with due professional care, thoroughly, and in a timely manner. In Bosnia and Herzegovina, in practice, accountants, in addition to their accounting duties, often perform other tasks that are not part of their job description. Because of this, due to their workload and other tasks, the question of whether accounting tasks are being performed appropriately arises. In this regard, according to the research conducted, 86% (38 respondents) believe that it is completely justified to expect accounting tasks to be performed with due professional care, thoroughly, and on time, while 14% (6 respondents) believe that it is quite justified to expect the work to be performed carefully, thoroughly, and on time.

Figure 5. Respondents' views on how reasonable it is to expect accountants to perform their work with due diligence (thoroughly, on time)



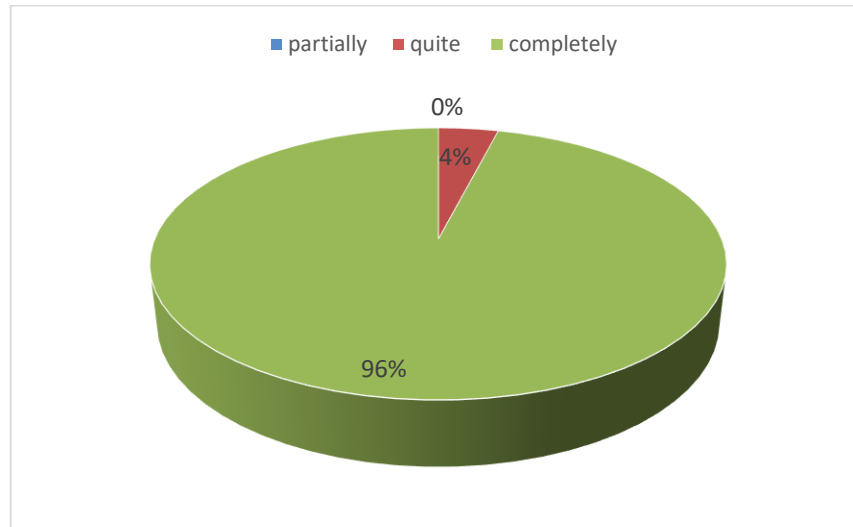
It is extremely important for accountants to maintain the confidentiality of the information they obtain while performing accounting work. The conducted research shows that 91% of the respondents believe it is fully justified to expect accountants to keep business information confidential, while 9% of the respondents believe it is quite justified to expect confidentiality.

Figure 6. Respondents' views on how reasonable it is to expect accountants to keep business information confidential



The work of an accountant is almost unimaginable without adhering to and working in accordance with legal regulations. Work in which rules and regulations are not applied leads to numerous consequences, ranging from financial to criminal. Information about accounting and financial frauds discovered by auditors and inspectors is often disclosed to the public. The opinion of respondents in the conducted survey is that 96% of them believe it is reasonable to expect accountants to act in accordance with all applicable accounting and other regulations, while only 4% of respondents believe that partial expectations are justified.

Figure 7. Respondents' views on how reasonable it is to expect accountants to act in compliance with applicable accounting and other regulations



By applying Spearman's correlation coefficient, the basic research hypothesis that accountants' attitudes towards ethical behavior are related to knowledge of the Code of Ethics for Professional Accountants was not verified in the research.

Table 1. Statistical presentation of the rank correlation coefficient between accountants' attitudes towards ethical behavior and their knowledge of the Code of Ethics for Professional Accountants

			Accountants' familiarity with the Code of Ethics for Professional Accountants	Attitudes of accountants towards ethical behavior
Spearman's	Accountants' familiarity with the Code of Ethics for Professional Accountants	Correlation Coefficient	1,000	,105
		Sig.(1-tailed)	.	,136
		N	44	44
Spearman's	Attitudes of accountants towards ethical behavior	Correlation Coefficient	,105	1,000
		Sig.(1-tailed)	,136	.
		N	44	44

Spearman's rank correlation coefficient (r_s) is 0.105, while the empirical significance of the correlation coefficient is 0.136, which means that $\alpha^* > 0.05$. Therefore, it can be concluded that the relationship between the movement of knowledge of the Code of Ethics for Professional Accountants and the attitudes of accountants toward ethical behavior is not statistically significant. Thus, the movement of knowledge of the Code of Ethics for

Professional Accountants is not related to the movement in the attitudes of accountants toward ethical behavior.

To test hypothesis PH1, a one-tailed test for proportion was used at the lower limit with a significance level of 95%. The proportion among the respondents is $p = 0.56$.

Table 2. Statistical presentation of the interval assessment

	Values
Proportion between respondents p	0,56
Sample size (n)	44
Reliability	0,95
Lower limit	0,5035

With a confidence level of 95%, it can be concluded that the proportion of accountants who believe that the implementation of the Code of Ethics for Accountants in the Digital Age has a positive impact on reducing fraud is 50.35%, which is greater than 50%, thus supporting the acceptance of hypothesis PH1.

DISCUSSIONS

The application of ethical principles in an organization depends not only on the moral values of individuals but also on written rules of conduct. These written rules define unacceptable behaviors within the organization, significantly contributing to the creation of a positive working environment for all employees. Written codes of ethics developed by international professional associations hold particular value within an organization. The environment in which accountants operate should uphold ethical values, especially today, when accountants face numerous challenges and accounting fraud is increasingly prevalent. The goal of the accounting profession is to establish high-quality work and professional behavior. If this is achieved, the profession will surely earn the respect and trust of the environment in which it works and operates.

Although international accounting standards are respected, the accounting profession in Bosnia and Herzegovina is still not fully regulated. The results of the research confirm the respondents' awareness of the importance of professional ethics for accountants and the critical role these ethics play in the business world. Accountants in Bosnia and Herzegovina are aware that they must perform their duties objectively, confidentially, and honestly, with due professional care, while acquiring and maintaining professional competence and adhering to all legal rules and regulations.

The research also revealed that accountants are familiar with the Code of Ethics for Professional Accountants, and the vast majority believe that the principles of the Code are applied by accountants. A potential limitation of this study is the relatively small sample size, so it is recommended that future researchers expand the study with a larger sample. The application of the Code of Ethics for Professional Accountants helps reduce accounting fraud, and all professional accountants should strive to apply the Code in their work. However, despite the knowledge of the Code of Ethics and awareness of professional conduct, the hypothesis

that accountants' attitudes are related to their knowledge of the Code of Ethics cannot be confirmed. One possible reason for rejecting this hypothesis could be external influences, such as profit, personal income, and intense pressure for positive business results, which may outweigh ethics and morality for accountants.

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