

IDENTIFYING ETHICAL DILEMMAS OF PORTUGUESE CHARTERED ACCOUNTANTS

Ferreira-da-Silva, Amélia 

Polytechnic Institute of Porto, Institute of Accounting and Administration of Porto, Portugal

acfs@iscap.ipp.pt

Pereira, José Manuel Teixeira

Polytechnic Institute of Cávado and Ave, Portugal

jpereira@ipca.pt

Dos-Santos, Maria José Palma Lampreia

Lusofona University of Porto, Portugal

mjosesantos@ulp.pt

Neto, José Neto

Polytechnic Institute of Cávado and Ave, Portugal

Abstract

The way professionals deal with ethical dilemmas and the decisions they make may be guided by a personal and individual ideology, but it is also strongly influenced by their professional group and society. This paper focuses in real situations as they are experienced by individuals in their day-to-day professional life. The data were collected using opened-end interviews. Respondents were asked to identify the ethical dilemmas they had been faced with during their professional life. Qualitative analysis shows that main dilemmas are about how to deal with “informal economy”, “false invoices” and “tax evasion”. This study aims to contribute to the discussion of ethical issues faced by Portuguese Chartered Account (TOC), thus promoting a large debate about the way the TOC can help to create a better society and consequently legitimating their existence as a professional organization of public interest. More than ever, understanding professionals’ behavior in their real context is essential for to build a culture

conducive to the ethical development of society, and to ensure, at the same time, the desirable business sustainability. This study gives a broaden description of ethics dilemmas faced by chartered accounts and shows some inefficiency in the ethical control system made by professional bodies.

Keywords: ethical decision-making; ethical dilemmas; accounting professionals.

INTRODUCTION

The study of human actions, the freedom that overhanging these actions, and the values that are involved in decisions that precede these actions, are questions that have preoccupied Human mind since forever. Moral, ethics and deontology, although different concepts, are based on the same ontological questions about the boundary between good and evil. The answer to this meta-question, the concrete expression of each answer, what we consider good or evil, the classification of what we do is right or wrong, gives body to what we call ethics. These questions have occupied the minds of great philosophers of Humanity, from the *ethics of reciprocity* of Confucius in ancient China, through ancient Greece with the *ethical intellectualism* of Socrates or the *ethics of happiness* of Plato (justice) and Aristotle (virtue), until the modern era with Kant's *ethics of duty* of Kant or *utilitarian/consequentialist ethics* of Bentham and Mill.

Addressing issues of ethics and deontology is not easy, and relate that with professional activity it becomes even more complex because it is necessary to understand the various dimensions of the ethical dilemmas professionals face. Indeed, as stated by Johnson (2013), no single idea captures all of the features in virtue of which an ethical theory may deserve to be called a deontology. In a sense, deontology is simply the theory of our duties, something most ethical theories have. But philosophers mean to convey more by calling a theory deontological. Roughly, a deontological theory denies, in some way, that the good or what is of value, always takes priority over what is right or duty. What this denial comes to, however, depends on whether it is meant in a normative or in a metaethical sense.

Despite its ancient origins, the accountant's professionalization process, in Portugal, experienced a significant improvement in the last two decades. Public recognition of professional bodies like the OTOC - Ordem dos Técnicos Oficiais de Contas (Order of Chartered Accountants) is the culmination of a long process, fighting for political and social recognition of the evidence that the services rendered by Professional Accountants answer public and social needs and that a specialized body of technical and scientific knowledge which is inaccessible to laypeople is required. This recognition of the public interest of the profession means that

professional bodies have control over the behavior of their members in order to guarantee that they follow an ethical conduct and to protect the public from unethical professional behavior.

But, in spite of that, one can hardly pick up a business publication today without noting some reference to an accounting scandal. Enron is only one dishonor to the profession, though perhaps the best known, other recent accounting and auditing failures include WorldCom, Microsoft, Peregrine Systems, Rite Aid, Sunbeam, Tyco, Waste Management, WR Grace, and Xerox, among many others. The sheer number of accounting abuses serves the *prima facie* evidence that something more is needed in terms of accounting ethics. What else needs to be done is less clear (Armstrong *et al.*, 2003, p. 1-2)

Codes of professional conduct are based on a set of ethical principles that help professionals decide. Codes tell them what should or should not be done in terms of what is considered right or wrong in their professional environment. Despite being frequently discussed in the literature, in Portugal, and particularly with regards to the ethical issues faced by TOC – Técnicos Oficiais de Contas (Chartered Accountants), there is a significant lack of empirical studies that allow us to know the reality and that would support the definition of policies and plans to promote behavior and mentality changes, both at a macro and micro level.

The focus in this paper is on situations experienced by individuals in their everyday professional life. Waters *et al.* (1986) claimed that the majority of ethically charged situations *experienced* by managers are “everyday” rather than the more dramatic headline-hitting episodes. The objectives of this paper are twofold: first, we identify the main ethical dilemma faced by accounting professionals (TOC) in their daily professional life; second, we draw attention to the potential of Hunt and Vitell’s Model of Ethical Decision (1986) as a framework to understand the nature of the ethical evaluation process and the way the ethical evaluations are approached and made.

This study makes several contributions to the literature because it identifies the dilemmas accounting professionals experienced based on their real discourse. There is no empirical research, as far as the authors are aware, that identifies professional dilemmas of Portuguese accounting professionals. Thus, this study can become an important and constructive contribution to the discussion of ethical rules and ethical issues.

ETHICS IN BUSINESS AND ACCOUNTING

Ethics, as the study of morality, describes, analyzes, and judges what is considered to be the right and wrong behavior in a given context. Business ethics is the application of that evaluative process to the behavioral norms and standards as designated in the world of economics, finance and commerce.

Smith (1997, p. 21) notes that, in practice, an individual's business decision making process will be guided by an ideology established through the influence of parents, schooling, religion and national or regional nature. There will be a perception of a natural way of the world, which differentiates right from wrong. Moral laws (and the need to avoid personal guilt), social mores (and the need to avoid embarrassment and loss of face) and the requirement of conformity to the expectations of family, team or professional body provide the social regulation of actions. The legal framework will provide regulations, which are facilitative (necessitating the following of strict procedures to validate transactions), prescriptive (in that duty of care is demanded in personal and professional dealing) and proscriptive (in that rules and guidelines are in force such that non-compliance will render the subject liable to penalty).

Within the backdrop of successful government prosecution and conviction of senior management in big corporations like Enron, Worldcom, and Tyco for fraud and/or siphoning of corporate funds for personal enrichment, the topics of business ethics and ethics training have gained renewed momentum among researchers and educators alike. Whereas a plethora of research focused on the consequences of unethical business acts, much less research focused on the antecedents or determinants of unethical behavior. In this study, we attempt to examine two important antecedents of unethical behavior, i.e., gender as a personal characteristic of the decision maker, and intensity of the moral issue itself as a characteristic upon which the decision maker's ethical behavior is determined (Nguyen *et al.*, 2008, p. 418)

Organizations have been advised to develop codes of conduct, ethical mission statements, and other formulations of ethical rules, as their members will continually encounter ethical issues such as harassment and potentially harmful company products. These explicit rules are expected to reduce ethically questionable behavior and facilitate recovery when ethical violations have occurred. Ideally, these codes empower employees by helping them recognize situations that have moral implications, appreciate ethically acceptable ways of responding, and understand the rationale for consequences for violations (Tjosvold, 2009, p. 3)

Because of the current trend toward globalization of the business environment, there are an increasing number of occasions for accounting professionals to offer financial information to their stakeholders around the world and to facilitate the development of international businesses. Accounting ethical issues can no longer be considered a problem only within a single business or nation. As accounting professionals have increasing opportunities to interact with other people with diverse cultural and historical experiences in the global economy, it is a challenge for them to understand the differences in cross-cultural ethical decision-making (Lin and Ho, 2008, p. 1213-1214)

Javeed (2013) exhaustively lists the reasons why ethical knowledge and skills are important for the practice of accounting. According to the author, ethics are important for Professional Accountants because accounting requires, to a great extent, ethical knowledge and skills. They clear the concept of right and wrong. They help the professional accountants build personal fortitude to make a right decision. By keeping in mind ethical factors, accountants can easily manifest peer pressure. They will never focus on short-term pressures to keep up revenue growth or to satisfy investors. They make them think in long term because all successful companies' management is not short-term focused, but long-term focused. Ethical behavior forces the confrontation of personal relations in case of fraud. Concentrating on ethical factors makes the accountants build an inner strength, which forces them to make the ethical decision not to ignore the fraud. Accountants, whose 1st priority is ethics, can easily deal with ethical dilemmas, areas that are not black and white. They feel comfortable dealing with grey areas. They never under represent their time to complete a job. They can easily go along with the crowd or do what their managers tell them to do, by never compromising ethical factors. This perspective is in line with that supported by Lin and Ho (2008) who argue that accounting professionals have to judge each ethical situation as well as judge what objectivity, integrity, and other ethical issues mean in the given situation, and then act according to their judgments.

The TOC assumes responsibility for annual reports, documents like Balance Sheet, statement of losses and profits and so on. These are all prepared by TOC based on Accounting Standardization System (CNS – Sistema de Normalização Contabilística) or other normative frameworks to which the company is subjected. All these documents and reports are intended to inform stakeholders, including the Investors, Financiers; Workers, Suppliers; State, Citizens among other. However, the company hires and pays for the services of TOC. The information provided may serve multiple purposes, and thus sometimes the interests of the users of the financial information may be divergent, so divergent and contradicting that can lead to the emergence of conflicts. So, as the financial statement is an important pillar of accountability and public transparency in business, sometimes TOC are faced with complex ethical problems.

Despite the strong technical component associated with accounting profession, Accounting Standardization System (CNS) states that the primary objective of financial reporting is to give a "true and fair view of the financial position of the company", which gives the TOC greater intellectual autonomy in the interpretation of reality, increasing responsibility. Thus, inevitably, the TOC is not neutral and is subjected to enormous pressure, where their cultural, intellectual and moral background can be decisive in ethical decisions. We therefore believe that the TOC should be understood as part of the organization and environment to which the TOC belongs.

In the national culture, we cannot ignore the social legitimization of informal economy, particularly "tax evasion", a social reality that certainly affects the professional ethics of TOC and which is clearly revealed at the preamble of the CDTOC (Deontological Code of TOC): "On the other hand the negative conceptualization that society has internalized about the role of the TOC, most often the result of the lack of accounting and tax culture of our society, leaves it open to situations that speak in no credibility and dignity of the profession."

In this context, understanding the ethical decisions of the TOC gains renewed interest.

ANALYSIS OF MODELS OF ETHICAL DECISIONS

Ethical issues arise at work when actual or potential business conduct challenges one or more moral principles concerning right and wrong; they typically entail the occurrence or prospect of one or more of the following: breach of justice, violation of rights, and failure to achieve acceptable results from an utilitarian point of view. Although ethical issues can be distinguished analytically from ethical dilemmas, in practice they are related (MacLagan, 2003).

In the field of moral philosophy, ethical theories have generally been classified into two major types: deontological and teleological. Smith (1997) differentiates ethical judgments, and subsequent actions and outcomes, upon the two major forms of ethical evaluation:

- Deontological – concerned with the duty individuals have to recognize the need of others. This form of analysis assesses the '*rightness*' or '*wrongness*' of alternative forms of behavior, irrespective of their ultimate consequences.
- Teleological – concerned with the consequences of the behavior and the evaluation of the '*goodness*' or '*badness*' of the consequences. These might be viewed, in its utmost, in utilitarian terms (satisfying the general good) or egotistical terms (satisfying self-interest).

Vitell *et al.* (1993) consider that the major difference between these two theories is that, whereas deontological theories focus on the specific actions or behaviors of an individual, teleological theories focus on the consequences of those actions or behaviors. In other words, deontological theories are concerned with the inherent righteousness of a behavior or action, whereas teleological theories are concerned with the amount of good or bad embodied in the consequences of the behavior or action.

Smith (1997, p 23) argues that the implications of *utilitarian* judgment for accounting decision making is that the allocation of resources based on the optimum for the individual,

departments, division or company may be questionable if it were not also in the interests of the community as a whole. The interests of a minority would be subservient to those of the 'greater good' and any alternative outcome deemed unethical. On the other hand, he argues, the alternative approach that recognizes the *rights* of individuals and justifies right/wrong decisions in terms of the impact on these rights may provide little guidance for the resolution of ethical conflicts because ethical dilemmas may arise in accounting environment when interested parties have both moral rights and duties to others.

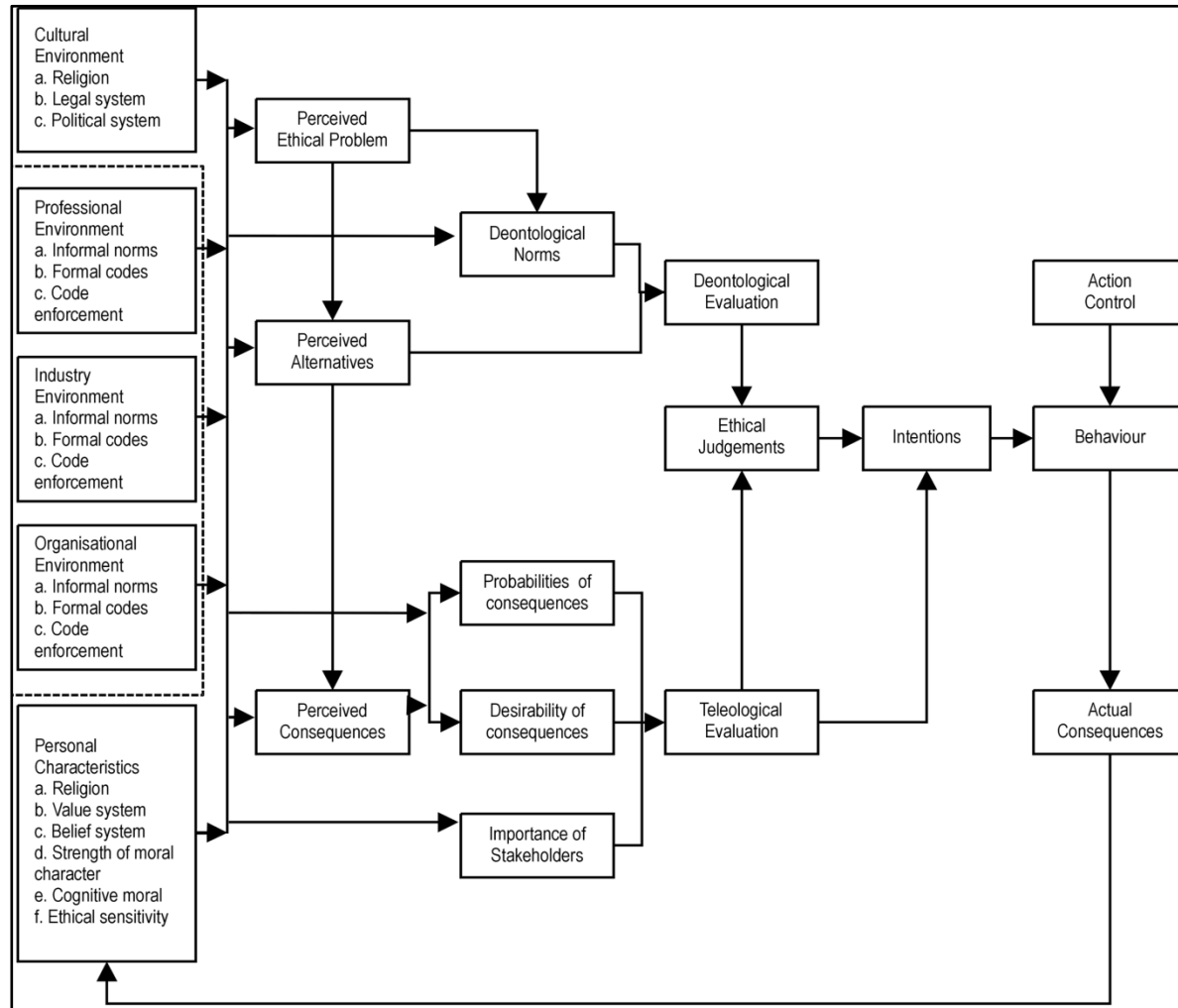
Ethical decision making, with its foundations in philosophy and ethics, has been modeled in psychological research, as well as in business research. According to Wagner and Sanders (2001), cognitive/moral development research, primarily grounded in psychology research, seeks to identify the characteristics or philosophies that individuals possess and use to make decision about ethical situations. The key reference authors are Piaget (1965), Kohlberg (1984) and Rest (1986).

In psychology research, Rest's model is one of the most significant ethical decision-making models. Rest's (1986) four-component model of ethical action indicates that an ethical action is composed of ethical awareness, ethical judgment, ethical intention, and ethical behavior. *Ethical awareness* includes interpreting the situation, role taking about how various actions might affect the parties concerned, imagining the cause-effect chain of events, and being aware that there is a moral problem when one exists. *Ethical judgment* includes judging which action would be most justifiable in a moral sense. *Ethical intention* includes the degree of commitment to assume the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes. *Ethical behavior* includes persisting in a moral task, having courage, overcoming fatigue and temptation, and implementing subroutines that serve a moral goal. Ethical awareness and judgment are two necessary components of ethical decision-making because many difficult dilemmas are ethically ambiguous, meaning that they can be viewed from a strategic perspective, an ethical perspective, or a perspective that involves a combination of both (Lin and Ho, 2008)

In business research, Hunt and Vitell's model of ethical decision (1986) gained more prominence. The H-V model is a descriptive (positive) theory that is best described as a reasoned-action approach to the ethical decision-making process (Ferrell, *et al.*, 1989, p. 60). From the reasoned-action approach, ethical decisions are considered to be deliberated in a rational and subjectively calculated manner, based on behavioral norms and relevant influencing considerations. Decision makers assess alternative courses of action or behavior in careful and cautious analyses before arriving at the preferred solution. Value systems and circumstances influence the ethical decision choice (Brady and Gougoumanova, 2011).

Hunt and Vitell (1986) argue that ethical perception is conditioned by the cultural, professional, industrial and organizational context, as well as by personal characteristics. Thus, the evaluation of the ethical problems will be influenced by several factors, including religious, legal and political system of beliefs and personal values, among others.

Figure 1 - Hunt-Vitell Ethical Theory



Source: Hunt & Vitell (2006, p. 146)

The purpose of the Hunt & Vitell model focuses mainly on two points:

- Provide a general theory of ethical decision-making, and
- Represent the process of ethical decision-making.

The steps of the model should be viewed as procedures or courses of action that take place and not as constructs that can be measured and given values.

The H-V model addresses the situation in which an individual confronts a problem perceived as having ethical content. This perception of an ethical problem in the situation triggers the process depicted by the model. If the individual does not perceive some ethical content in a problem situation, subsequent elements of the model do not come into play. Given that an individual perceives a situation as having ethical content, the next step is the perception of various possible alternatives or actions that might be taken to resolve the ethical problem. It is unlikely that an individual will recognize the complete set of possible alternatives.

Therefore, the evoked set of alternatives will be less than the universe of potential alternatives. Indeed, ultimate differences in behaviors among individuals in situations that have ethical content may be traced, in part, to differences in their sets of perceived alternatives. Once the individual perceives the evoked set of alternatives, two kinds of evaluations will take place: a deontological evaluation and a teleological evaluation. In the process of deontological evaluation, the individual evaluates the inherent rightness or wrongness of the behaviors implied by each alternative. The process involves comparing each alternative's behaviors with a set of predetermined deontological norms. The deontological norms include both the hypernorms and local norms of the integrative social contracts theory. In contrast, the teleological evaluation process focuses on four constructs: (1) the perceived consequences of each alternative for various stakeholder groups, (2) the probability that each consequence will occur to each stakeholder group, (3) the desirability or undesirability of each consequence, and (4) the importance of each stakeholder group. Both the identity and importance of the stakeholder groups will vary across individuals and situations (Hunt and Vitell 2006, p. 144-145).

Hunt & Vitell used normative ethics as a starting point for postulating a positive theory of ethical decisions based on the idea that any theory supports and evolves over time through empirical testing and not as originally formulated. If people really follow deontological and teleological perspectives, as moral philosophers argue should be done, these are prospects of a logical basis for a positive picture theory. It can also be said that the Hunt & Vitell model is a process, not a causal model. However, to test the theory, it is both possible and desirable to develop causal models consistent with Hunt & Vitell's theory.

This theory is relevant in business analysis, but it also has an enormous potential to allow us to understand ethical decision-making of professional accountants in contemporary professional practice.

METHODOLOGICAL PROCEDURES

The survey was conducted by telephone between April and June 2013. It was designed to be representative of all the TOC of a small city in the north of Portugal. Our sample was drawn from Yellow Pages of the Internet (www.pai.pt). From this sampling frame we selected all the companies which have accounting services as the main activity and those which have an active telephone contact. Thus, from the all 146 companies, 93 were selected but only 70 agreed to participate.

The TOC of these companies (one in each company) were asked about their experience with regards to the Ethical Dilemmas they faced in their day-to-day work. A script previously defined and tested with five pilot interviews guided this interview. From the first sample of 93 elements, 49 % are male and 51 % female. Note that of the 93 elements that came into contact, 23 were excluded from the analysis. So, interviews were completed with 77 percent of the remaining TOC. Of the total excluded, 10 percent refused to participate in the study; and the other 13 percent were excluded because they did not respond to all of the questions presented in this analysis or did not remember any ethical dilemma that they had faced in the day-to-day working life.

In most situations, the interview was initiated immediately after the brief presentation. We took notes during the interview. The depth and duration of the interviews were variable. It depended on factors we were not able to control, particularly the personality of the interviewees. Although we used an interview guide, it was managed in a flexible way. The guide was therefore mainly used to ensure that all relevant issues were addressed. When the discourse of the interviewee became ambiguous, i.e., if the participant did not make his/her views clear, it was necessary to rephrase the questions. This point is of particular importance since a significant number of the participants (27%) misunderstood the meaning of "ethical dilemmas", confounding that with technical and operational problems.

ANALYSIS

The data collected in the interviews was transcribed and then analyzed with a computer program for qualitative data analysis - NUD.IST. The long process of data interpretation then started. Once it is an exploratory study, the purpose of "floating reading" (Bardin, 1974) was to see "what was there". All text was kept, nothing was thrown away and speech sequence and order was maintained. We then began the coding process. The first outline of codes was the typology of the dilemma and it emerged directly from the text itself.

We started with 9 types of dilemmas and, at the end of the coding process, we end up with 4 main categories of dilemmas. In the process of regrouping our categories, we tried to ensure the presence of the qualities proposed by Bardin (1974, 120), i.e., mutual exclusion, uniformity, relevance, objectivity and loyalty, productivity.

Dilemma type 1 - complaint to the authorities of illegal behavior:

- Account and deliver to the State statements with retentions in the salary slips, knowing in advance that these will not be paid to the State but will provide benefits later (in the form of refunds or in the form of future benefits) to the people liable for payment, i.e., to the defaulters.
- Passively watch the capitalization of companies on purpose (e.g. cash withdrawals without the knowledge of the other partners or presentation of invoices that have no connection to the company's activity to justify cash outflow) or withdrawal of essential goods for the company's functioning that may jeopardize its operation.
- Account for expenditures for which there is no record billing to justify such spending, knowing that it is in order to evade taxes.
- Account false invoices.

Dilemma type 2 - manipulating documents of accountability and tax evasion:

- Overvaluation or undervaluation of inventories to embellish accounts or to conceal damage or manipulate taxable income, regardless of what is actually in the warehouse.
- In the case of high profit margin, the entity may incite the TOC to apply the rates lost in case of depreciation, not acknowledging the cost in that year, but in the following year, in order to lower or increase the profit margin, because of funding from banks and not to be harmed in terms of payable taxes.
- Handle accounts without documentation support, in order to place the company under different tax regimes - simplified scheme or general scheme - whichever is more beneficial for the company.
- Prepare balance sheets that "pass" the assessment of the financial institution for a loan to be granted and/or to renew an escrow account.
- Release/recognition in the accounting expenses that should not be released and the related VAT deduction.
- Establish provisions for doubtful debts to the extent that it interferes in the costs of the entity and therefore the presentation of profits or losses in the accounts of the entity.
- Non-recognition of estimated costs with staff to improve outcomes.

- Simulation of lending to partners or supplies to cover cash balance lending (synonymous with unaccounted sales).
- Simulation of supplementary services to improve equity ratios.
- Register sales between entities with special relationships that do not meet the transfer pricing laws, or that did not occur and have the sole purpose of manipulating results between them.
- Participation in transferring money schemes to offshore accounts.

Dilemma type 3 - involvement in conflicts between Managers/Administrators:

- Passively watch unlawful conduct of partners, such as withdrawing money without the knowledge of other partners or compelling employees to carry out transactions that could jeopardize the company.
- Clarify or not situations where the TOC receives contradictory orders from partners who are in conflict, thereby running the risk of aggravating the conflict.
- Account personal expenses of the partners as business expenses, such as buying a vehicle on behalf of the entity but which is intended for personal use, payment for a family lunch or lunch with friends as an expense for company representation.
- Payment of the private school that is recorded in the books of the company as donations to that institution.

Dilemma type 4 – irregularities in the work of colleagues and relationship with the customer:

- Keep silent and continue to do the same when the TOC detects that there are incorrect records of situations made years before by the prior TOC.
- Report to OTOC a colleague who committed a fraudulent act and that works in the same office.
- Reduce fees to keep the client.
- Continue to provide the service to a client that is consistently late paying his/her fees.
- Registration of an almost fictitious sale of a company car to an employee who is also a family member of the owners, where the employee gave only 10,000 Euros for the car, but the sale was registered for 15,000 Euros, but the invoice was issued under a false name. Dilemma in denouncing the situation, because although the TOC did not agree with this situation, was he/she was "forced" to accept under the threat of being accused of acting in collusion with the owners, if denounced.

DISCUSSION OF THE RESULTS

In Portugal, accountants tend to be seen as a professional group with a career that is highly exposed to ethical dilemmas. (Marques and Azevedo-Pereira, 2009, p.227) Indeed, it is recognized that the TOC assume a professional role where conflicting interests interact. Frequently the best option for the organization is not the best one for the State or for other stakeholder of the organization, yet the TOC has to decide to each interest he/she must attend to first when he/she is preparing the Financial Statements. But, if the organization pays his/her salary and if the State asks for the TOC to denunciated irregularities of that organization which pays his/her salary, then TOC may very likely have a problem, an ethical problem, i.e., an ethical dilemma.

In general, one can say that the TOC sees a dilemma when he/she is faced with more than one choice. Normally the interests at stake are the following:

- The TOC 's own;
- The client company;
- The State (Tax over incomes of singular persons - IRS, Social Security, etc.)
- Public (employees, customers, suppliers, the general public)
- Professional bodies.

It is important to note that a large part of the ethical problems that arise are clearly situated in the frontiers of legality. The situations that create most dilemmas to the TOC are (i) informal economy, (ii) false invoices, and (iii) tax evasion. These situations are generally legally reprehensible but as these are still social and cultural accepted, the TOC feels great pressure to collaborate with those irregular situations. In fact, the majority of respondents clearly admitted that the TOC often chose not to report the irregular situations, remaining silent and collaborating with the unethical and even illegal business behavior to prevent "worth evil", i.e., not to lose customers or not cause someone unemployment, and in some situations they feared for closure of the company if some of these situations were reported.

Not paying taxes is the most tolerated "crime-motivation" accepted by TOC and it is also the most frequent in the situation described by participants in this study. There is no unique definition for the informal economy. Like in the study of Andrews, Sánchez and Johansson (2011), the situations described typically refer to economic activities and transactions that are sufficiently hidden so that they are unmeasured or untaxed, and it is presumed that economic agents are at least passively aware that bringing these activities to the attention of authorities would imply tax or other legal consequences. Illegal activities like drug trafficking or similar activities were never mentioned.

Our results were already expected once many studies had previously pointed out the shadow economy as one of the biggest and fastest growing problems of Portuguese economy (Feld and Schneider, 2010; Enste, 2010). According to Afonso and Gonçalves's (2013) recent research, the informal economy reached 24,8% of Gross Domestic Product (GDP). Thus, the main contribution of this research was the identification of these specific situations that generated ethical dilemmas, so researches do not need to evaluate chartered accountant's behavior regarding "hypothetical ethical dilemmas" (Marques and Azevedo-Pereira, 2009). We believe that once these situations are clearly identified and described, than new doors can be opened on the scientific and professional debate of this issue.

Despite the great participation we got in this study, it was noted that many of the TOC showed apprehensiveness when identifying ethical dilemmas, and some persuasion was needed to get the collaboration of some participants in the study. However, it should be noted that many did not understand the concept of ethical dilemma, mistaking it and sometimes confounding it with technical or operational problems.

Even when the concept was well understood and after full confidentiality guarantees, many TOC showed fear of freely exposing their opinions and experiences, lest that through their personal report one could identify their client and consequently lead to customer loss or even become the target of any disciplinary or legal proceedings for "breaching" professional secrecy.

If we consider Max Weber's dual perspective of ethics, on the one hand the Protestant ethics, associated mainly to Calvinists' promotion of work and wealth and, on the other hand, the Catholic ethics with values such as selflessness, poverty and sacrifice, then we can say that, in general, the participants in this research overvalue the first one.

CONCLUSION

In an attempt to identify regularities, almost invariant in the process of professionalization, Wilensky (1964) underlines the existence of a code of ethics that normatively defines the right attitudes and behaviors of professional members. These "should-be" and "must-do" are the foundations that legitimize the exercise of control and sanction over those who deviate from the established norms. The exercise of disciplinary power is, in part, to ensure the pursuit of public interest in protecting society from potential bad practices.

Ethical decision-making is a way of resolving conflicts where ethical dilemmas are present. (Lin and Ho, 2008) A person's ethical and moral predisposition and the judgments that they use to make ethical decisions may be consistent across various ethical dilemmas (Wagner and Sanders, 2001, p.161).

In the day-to-day professional life, the TOC often face situations that raise complex ethical issues. However, we do not know any scientific studies that describe these dilemmas and allow an open discussion and reflection on them. Without this public discussion on real dilemmas faced by professionals, there is a significant risk of rationalizing unethical behaviors based on arguments like "everybody does it". In fact, despite all the work already performed by OTOC, it is important not to forget that ethical sensitivity and ethical behaviors of the TOC are conditioned by the cultural, professional, industrial and organizational contexts, as well as by personal characteristics. Thus, the evaluation of the ethical problems will be influenced by several factors (Hunt & Vitell, 1992).

What are the dilemmas that the TOC face? What are their behavioral responses? Which factors determine these behaviors? These are questions for which there is still no answer. However, this study constitutes a first attempt answer them. The content analysis of the interviews identified, as more frequent dilemmas, situations like (i) informal economy, (ii) false invoices, and (iii) tax evasion. These situations are generally legally reprehensible but given the still considerable social and cultural acceptance, the TOC is placed in a situation of great pressure because of the possible consequences that derive from the denouncement on the company. In most cases, they anticipated the closure of the company as the most probable consequence if the TOC denounces irregular situations and the TOC fears the social disapproval of his/her behavior. The fear of this social disapproval and the threat of failing to attract new customers or retain existing ones, very often leads the TOC to opt for silence.

The informal economy is an economic and a social problem in which Chartered Accountants have great responsibility, not because they are the practicing agents, but because they indirectly participate in the process. So, the TOC has an important role to play in any solution that attempts to solve this problem.

The informal economy warrants attention for several reasons. From a social perspective, informal workers lack social protection and insurance, which may adversely affect their income prospects, and have broader consequences on inequality and poverty. Informality also affects labour market outcomes, productivity and growth through several channels, although the net effect is unclear. Finally, there are fiscal implications associated with tax revenue losses, which makes the informal economy particularly relevant for OECD countries faced with a period of fiscal consolidation (Andrews, Sánchez and Johansson, 2011).

This study confirms the assumption of prior researches like Marques and Azevedo-Pereira (2009, p.228), which were constructed based on the idea that "tax evasion is a major problem in Portugal, and one of the areas where chartered accounts are more susceptible to take illegal and unethical actions." However, our study gives a broaden description of those

dilemmas. It also showed some inefficiency in the ethical control system of professional corporations. In some way, the ability of professional bodies to protect public interest from unethical behaviors may be in danger. In this sense, this work can be considered as a starting point for reflection on the effectiveness of the instruments of disciplinary power currently applied by the OTOC.

Naturally, the richness of the results would be strengthened if the study were applied to a larger sample. The sample size was small and circumscribed to a small geographical area, thus it may not be representative of the all population of Portuguese's chartered accountants. Moreover, the research scope should be extended if we want to understand the reasons behind the ethical behaviors of professional accountants when they face different typology of dilemmas.

REFERENCES

- Armstrong, M. B., Ketz, J. E., Owsen, D. (2003): "Ethics education in accounting: moving toward ethical motivation and ethical behavior", *Journal of Accounting Education*, 21, pp. 1-16.
- Bandsuch, M. (2009): "Understanding integrity across generations in china: implications for personnel choices in Chinese corporations", *Journal of International Business Ethics*, Vol.2 No.2, pp. 21-38.
- Brady, D. and Gougoumanova, Z. (2011): "An analysis of the "core" decision process of the Hunt and Vitell model of ethical decision making in marketing", *Journal of Academic and Business Ethics*, Vol. 4, July, pp. 1-18.
- Decreto-Lei 310/09 – Estatutos da Ordem dos Técnicos Oficiais de Contas e Código Deontológico dos Técnicos Oficiais de Contas.
- Decreto-Lei 452/99 – Estatutos da Câmara dos Técnicos Oficiais de Contas.
- Enste, D.H. (2010): "Regulation and Shadow Economy: Empirical Evidence for 25 OECD Countries", *Constitutional Political Economy*, Vol. 21, N.º 3, pp. 231-248.
- Andrews, D., A. Caldera Sánchez and Å. Johansson (2011): "Towards a Better Understanding of the Informal Economy", *OECD Economics Department Working Papers*, No. 873, OECD Publishing. <http://dx.doi.org/10.1787/5kqb1mf88x28-en>.
- Feld, L. P and F. Schneider (2010): "Survey on the Shadow Economy and Undeclared Earnings in OECD Countries", *German Economic Review*, Blackwell Publishing, Vol. 11, N.º 2, pp. 109-149.
- Glautier, M., Underdown, B. & Morris, D. (2011): *Accounting – Theory and Practice*, 8th Edition, Prentice Hall, Edinburgh Gate.
- Hofsted, G (2003): *Culturas e Organizações – Compreender a nossa programação mental*. Edições Sílabo, Lisboa.
- Hoog, W. (2008): *Contabilidade – Um Instrumento de Gestão*, Juruá, Curitiba.
- Javeed, Amama, (2013): Are ethics important for professional accountants? Disponível em <http://www2.accaglobal.com/pdfs/international/pakistan/2955050>, acedido em 1 de 07 de 2013.
- Lin, Chieh-Yu and Ho, Yi-Hui, 2008: "Cultural differences in ethical decision making", *Social Behavior and Personality*, Vol. 36, N.º9, pp. 1213-1222.
- Marques, P. and Azevedo-Pereira, J. (2009): "Ethical Ideology and Ethical Judgments in the Portuguese Accounting Profession", *Journal of Business Ethics*, Vol. 86, No. 2, pp. 227-242.

Nguyen, N., Basuray, T. Smith, W., Kopka, D., McCulloh, D. (2008): “ Moral Issues and Gender Differences in Ethical Judgment using Reidenbach and Robin’s (1990) Multidimensional Ethics Scale: Implications in Teaching of Business Ethics”, *Journal of Business Ethics*, 77, pp. 417–430.

Tjosvold, D., Snell, R., Fang Su, S. (2009): “Codes of conduct for open-minded discussion and resolution of ethical issues in China”. *Journal of International Business Ethics*. Vol.2 No.2, pp. 3-20.

Vitell, Scott J., Nwachukwu, Saviour L., Barne, James H. (1993): “The Effects of Culture on Ethical Decision-Making: An Application of Hofstede’s Typology”, *Journal of Business Ethics*, 12, pp. 753-760.

Wagner, S. and Sanders, G., (2001): “Considerations in Ethical Decision-Making and Software Piracy”, *Journal of Business Ethics*, 29, pp. 161-157.

Wilensky, H. (1964): “The professionalization of everyone?”, *American Journal of Sociology*, Vol.70, pp.137-158.