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The Impact of Lithuanian Auditors' Personal Attitudes towards Business Ethics on the Ethical Assessment of Earnings Management

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The ethical assessment of earnings management is the subject of considerable scientific debate. On the one hand, it is considered unethical. On the other hand, it is morally right, as a small profit smoothing to reduce risk is justified (De Jong et al., 2013). Elias (2022) notes that the ethical assessment of earnings management is influenced by the assessor's personal ethical perception, education, work experience and workplace culture. In addition to high qualifications and experience, the auditor's personal traits, such as ethical idealism and professional scepticism, should guide the auditor in detecting fraud (Verwey & Asare, 2022).

Aim of the study: to determine the impact of Lithuanian auditors' personal attitudes towards ethics on their assessment of earnings management.

Objectives of the study:

- 1) to investigate the personal attitude of Lithuanian auditors towards business ethics;
- 2) to identify the differences in the ethical assessment of auditors between accrual based and real earnings management;
- 3) to assess the relationship between auditors' personal perception of ethics and their assessment of earnings management.

Research methodology. In order to assess the ethical idealism of Lithuanian auditors and its influence on their assessment of earnings management, a questionnaire survey, correlation and regression analysis were chosen. The sample consists of 250 licensed auditors. The return rate of the individual questionnaires sent out is 85.2%.

Results of the study.

1. The assessment of auditors' personal attitudes towards business ethics found that auditors tend to be ethically idealistic. They are aware of the importance of business ethics and attach great importance to it.
2. The study of the differences between the ethical evaluation of accumulation of accrual based and real earnings management ethics showed statistically significant differences ($t_{stat} = 14.87 > t_{crit} = 1.66, p = 0.00$). This shows that the ethical evaluation of earnings management depends on its type. Accrual-based earnings management is seen as more unethical than real earnings management.
3. The study found that perceptions of personal ethics have an impact on the evaluation of earnings management. The higher the ethical idealism of the auditor, the more earnings management is perceived as an unethical phenomenon ($R^2 = 0.52, ANOVA p = 0.00, regressor\ coef. = -0.63, regressor\ p = 0.00$). This suggests that the auditor's judgment may be influenced by his personal ethical stance.

References

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