

# Ethical Ideology and Ethical Judgments in the Portuguese Accounting Profession

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**ABSTRACT.** The purpose of the present study is to examine the attitudes of Portuguese chartered accountants with respect to questions of ethical nature that can arise in their professional activity. Respondents were asked to respond to the Ethics Position Questionnaire developed by Forsyth (*Journal of Personality and Social Psychology* 39(1), 175–184, 1980), in order to determine their idealism and relativism levels. Subsequently, they answered questions about five scenarios related to accounting practices, with the objective of measuring their ethical judgments. Based on the idealism and relativism levels of our respondents, they were classified into one of four groups, representing different ethical ideologies (absolutism, exceptionism, subjectivism, and situationism). The results indicated that age was the major determinant of relativism. Contrary to previous research, older respondents revealed themselves significantly more relativistic than younger ones. Gender seems to be the most important determinant of ethical judgments; against expectations, men evidenced significantly stricter judgments than women in two of the five scenarios. Findings also indicated that respondents' ethical judgments did not differ significantly based on their ethical ideology, supporting the idea that ethical ideology is not an important determinant of ethical judgments.

**KEY WORDS:** accounting, business ethics, ethical decision-making, ethical ideology, ethical judgment, ethics

## Introduction

In Portugal, accountants tend to be seen as a professional group that faces a career highly exposed to ethical dilemmas. Big accounting scandals, like those associated with Enron, WorldCom, and Parmalat, have not yet been exposed in Portugal, but unfortunately that does not necessarily mean that the Portuguese accounting profession exhibits superior

ethical standards. The high number of accountants and the corresponding high levels of competitiveness are usually highlighted as major difficulties towards a completely independent professional practice.

Presently, the Câmara dos Técnicos Oficiais de Contas (CTOC – Portuguese Chamber of Chartered Accountants) – the entity that regulates the profession of chartered accountant – is the largest professional institution of compulsory registration existing in Portugal, with more than 82,000 members. That is a lot of accountants for a small country with nearly 694,000 companies, the overwhelming majority of which (99.9%) are small and medium sized. In comparison, there are approximately 159,000 chartered accountants in the United Kingdom and Republic of Ireland for a total of more than 2.33 million companies. The number of companies per chartered accountant reaches 14.7 in the United Kingdom and Republic of Ireland, while in Portugal that same ratio produces a value of only 8.5. This is clearly a case of supply seeming to exceed demand (according to the CTOC, 41% of the Portuguese chartered accountants are not practising professionally as accountants). This fact tends to increase the possibility of chartered accountants being bullied into dubious ethical behavior.

Another relevant characteristic of the Portuguese business reality is the way entrepreneurs tend to look at accounting. According to public interventions in the media, some of them seem to share a narrow view of accounting, looking at it mainly as a means to fulfill legal and tax obligations.

In a study financed by the World Bank, Schneider (2002) showed that the size of the informal economy in Portugal over the period 2001/2002 reached 22.5% of the gross domestic product (GDP), while, for example, that value reached 15.0% in France, 12.5% in Great Britain, 16.3% in Germany, 11.1% in

Japan, and only 8.7% in USA. This is why we do not find it surprising that recently, according to the Portuguese newspaper *Jornal de Notícias* (2007), a task force including members of the Polícia Judiciária (Portuguese Criminal Police) and the Inspeção Tributária (Portuguese Tax Inspection), found more than 400 restaurants with two parallel accounting systems, one for internal use and the other for tax purposes. Undoubtedly, tax evasion is a major problem in Portugal, and one of the areas where chartered accountants are more susceptible to taking illegal and unethical actions. Not only should they have a good technical background in accounting, but also an ethical attitude towards ethically ambiguous situations.

Nowadays,<sup>1</sup> the CTOC imposes a tough set of procedures on applicants for membership. Besides holding a degree in accounting, business studies or economics, every applicant needs to pass a tough examination procedure which includes examinations in financial accounting, managerial accounting, and Portuguese tax law. In parallel, it also requires an exam to evaluate the candidates' knowledge of the Chartered Accountants Deontological Code. However, is this knowledge enough to guarantee that future chartered accountants will perform their duties with independence and integrity? Probably not. The way we judge and behave when facing ethically charged situations varies from person to person. Each individual ethical judgment is dependent on several variables. Some are individual, such as age, gender, ethical ideology, religion, nationality or education, whereas others are situational, such as peer group influence, top management influence, rewards and sanctions, codes of conduct or organizational factors.

The present study focuses on only four of the above ethical judgments' individual variables: gender, age, education level, and ethical ideology. Several past studies have shown age, gender, and ethical ideology to be significant determinants of ethical judgments, while the influence of other individual variables seems to be less marked. Therefore, we decided to include those three variables in our ethical judgments' regression models. However, since the education level of our respondents is very heterogeneous, we considered the possibility that education level might have some impact on respondents' ethical judgments. Thus, along with age, gender, and ethical ideology, education level

was included as a potential factor in explaining ethical judgment differences. The main question that we will try to shed some light on is which of those variables are significant and reliable ethical judgment predictors.

The work begins with a literature review focusing on the most relevant empirical research about: (1) the notion of ethical ideology and its influence on ethical judgments and (2) the influence of demographic determinants, such as age, gender, and education level on both ethical ideology and ethical judgments. Based on the empirical research described in the literature review, we formulate testable hypothesis. Afterwards, we present the details of our questionnaire design, sample characteristics, and instrument measures used to assess respondents' ethical ideology and ethical judgments scores. We also describe the statistical tools and statistical procedures used in the data analysis process. Then we provide results concerning the demographic determinants of idealism, relativism, and ethical judgments and also our outcomes regarding the relationship between ethical ideology and ethical judgments.

## Literature review

### *Ethical ideology and ethical judgments*

According to Schlenker and Forsyth (1977) and Forsyth (1980), an individual's ethical ideology is a factor capable of explaining differences in moral judgments. Forsyth (1980) proposes that personal ethical ideology can be defined along two dimensions: idealism and relativism. Idealism reflects the importance attributed to the impact of one's decisions on the welfare of others, and relativism is the degree to which individuals may reject universal moral rules. Highly idealistic individuals believe that their actions should have positive consequences and that it is always wrong to follow a path that may cause undesirable consequences to others. On the other hand, less idealistic individuals do not believe that their actions should always produce positive consequences, since they admit that undesirable consequences may sometimes be necessary to achieve a greater good (Forsyth, 1980, 1992). Highly relativistic individuals do not believe in absolute

moral truths; instead they prefer to believe that moral actions depend on the nature of the situation and the individuals involved (Forsyth, 1992). In contrast, less relativistic individuals prefer to act in conformity with universal moral principles or laws (Forsyth, 1992).

Forsyth (1980) suggests that when one's idealism and relativism are simultaneously taking into consideration and dichotomized into "high" and "low" levels, it is possible to create the two-by-two classification of ethical ideologies depicted in Table I.

Situationists (high relativism and high idealism) are individuals who reject universal moral principles, believing however that their actions should be conducted in order to produce positive consequences for all people involved (Forsyth, 1992).

Subjectivists (high relativism and low idealism) are individuals who also reject universal moral principles but who do not emphasize the need for their actions to produce positive consequences for all involved (Forsyth, 1992). For them, an action that harms others may not be unethical, because when making moral judgments they will support their judgment on what they personally stand to gain or lose (Barnett et al., 1998).

Absolutists (low relativism and high idealism) are individuals who believe that actions should produce positive consequences for all involved, respecting at the same time universal moral principles (Forsyth, 1992). They tend to be very strict when making moral judgments, especially if the action harms others or violates universal moral principles (Forsyth, 1992).

Exceptionists (low relativism and low idealism) are individuals who, like absolutists, respect universal moral principles, but who do not believe that negative consequences can always be avoided, since for them, it is sometimes necessary to cause harm to someone in order to benefit other people (Forsyth, 1992).

Several empirical studies in business ethics support the idea that absolutists are stricter when making moral judgments than individuals with other ethical ideologies. Subjectivists, on the other hand, tend to be the most lenient. Barnett et al. (1994) studied the effects of ethical ideology on ethical judgments made by business students regarding business-related ethical dilemmas. They found significant differences in ethical judgment due to ethical ideology in 14 of the 26 vignettes used to measure the ethical judgments of the students. In those 14 vignettes, absolutists were the strictest in 10, and subjectivists were the most lenient in 11. Tansey et al. (1994) in a study with life insurance agents found that absolutists and subjectivists differ significantly in their moral judgments, absolutists being stricter. Barnett et al. (1998) in a sample of marketing professionals also studied the effects of ethical ideology on ethical judgments regarding business-related ethical dilemmas. Their results showed absolutists as the strictest when judging the actions in all three scenarios, and subjectivists as the most lenient, and also showed significant differences between absolutists and subjectivists and between absolutists and exceptionists. Bass et al. (1998) conducted a study with a sample of sales managers, and found that, in one of the three scenarios considered,

TABLE I  
Taxonomy of ethical ideologies

Ethical ideology	Dimensions	Approach to moral judgment
Situationists	High relativism High idealism	Reject universal moral rules; advocate personal analysis of each act in each situation.
Subjectivists	High relativism Low idealism	Reject universal moral rules; base moral judgments on personal values and perspective.
Absolutists	Low relativism High idealism	Feel actions are moral, provided they yield positive consequences by following universal moral rules.
Exceptionists	Low relativism Low idealism	Feel conformity to moral rules is desirable, but are pragmatically open to exceptions to these standards.

Note: Adapted from Forsyth (1992, p. 462).

absolutists were significantly stricter than subjectivists and exceptionists, when making ethical judgments. However, like Barnett et al. (1998), they did not find significant differences between absolutists and situationists. More recently, Hartikainen and Torstila (2004), in a study with finance professionals, reached similar results to those in previous studies, with absolutists being the stricter when judging the actions in four of five scenarios and subjectivists being the most lenient in all scenarios used to measure the ethical judgments of the finance professionals. In accordance to these results, in our sample, we should expect to find absolutist accountants to be the strictest when making ethical judgments, and subjectivists to be the most lenient.

Although ethical ideology appears to be an important predictor of ethical judgments, there is some empirical evidence showing that idealism may have a stronger influence on ethical judgments than relativism (Barnett et al., 1994, 1996, 1998; Bass et al., 1998; Douglas et al., 2001).

Barnett et al. (1994) suggested that ethical ideology is more effective in explaining differences in ethical judgments when the actions are rated highly unethical, but that when the actions are not considered highly unethical, ethical ideology may not be an important variable in explaining differences in ethical judgments. This was later supported by Bass et al. (1998), who found significant differences in ethical judgments due to ethical ideology only in the scenario judged most unethical, and by Douglas et al. (2001), with their results showing ethical ideology significant as a determinant of ethical judgments, but only in situations of high moral intensity.<sup>2</sup>

#### *Demographic determinants of both ethical ideology and ethical judgments*

##### *Age*

The effects of age on ethical ideology have been widely studied. According to Bass et al. (1998), older individuals “might place less emphasis on self-interest and exhibit a greater concern for the welfare of others,” suggesting a positive relation between age and idealism. The same authors also argue that older individuals seem to rely more on universal moral principles when making ethical judgments,

suggesting a negative relation between age and relativism. These arguments were empirically supported by Bass et al. (1998) and by Hartikainen and Torstila (2004), with both studies finding older individuals significantly more idealistic and less relativistic than younger ones. However, there are also studies indicating no significant relation between the age and ideology dimensions (Douglas et al., 2001; Singhapakdi et al., 1999).<sup>3</sup> Interestingly, we did not find in the relevant literature any study supporting Forsyth’s (1980) results, according to which older individuals were less idealistic than younger ones. Given this empirical evidence, we expected to find in our sample older respondents significantly more idealistic and significantly less relativistic than younger ones, or, at worst, to find no relationship between the age and ideology dimensions.

At this level, it could be asked if older individuals are more ethical than younger ones. Most of the previous research suggests that older individuals have higher ethical standards. Serwinek (1992) observed that older individuals appear to be more conservative in their ethical attitudes. In another study, Dawson (1997) concluded that ethical standards change with age and years of experience, suggesting that, as age and experience progress, ethical levels become higher. Ruegger and King (1992) found that older students tended to make more ethical decisions than younger ones. Weeks et al. (1999) observed a difference in ethical judgment across career stages, with individuals in later career stages displaying higher ethical judgment than those in earlier stages. More recently, Hartikainen and Torstila (2004) found that younger individuals seemed more prone to accept unethical actions in job-related scenarios. However, there is also some evidence showing a negative relationship between age and ethical decision making. Roozen et al. (2001) concluded that “older people with higher incomes, a lot of work experience and a lot of responsibilities have a less ethical attitude.” In another study, Sankaran and Bui (2003) with a sample of college students majoring in accounting observed that older students were significantly less ethical than younger ones. However, the most surprising result of Sankaran and Bui study was that, contrary to the results obtained with accounting majors, older students of nonaccounting majors were significantly more ethical than younger ones. This may imply that

“accounting professionals tend to soften their ethical values as they grow older while other professions do not.” (Sankaran and Bui, 2003). Since our sample is composed of accountants, we would not be entirely surprised to find older and more experienced accountants to express more lenient opinions regarding unethical actions in job-related scenarios.

#### *Gender*

Gender is another variable that we included in this study. Previous research on the relationship between gender and ethical ideology has produced inconsistent results. Forsyth et al. (1988) and Singhapakdi et al. (1999) found that women and men did not differ significantly in their levels of idealism and relativism. Bass et al. (1998) and McHoskey (1996) found women more idealistic than men but did not find significant differences in their relativism levels. Hartikainen and Tortilla (2004) observed that women were more idealistic and less relativistic than men. Singhapakdi and Vitell (1994), on the other hand, found women more idealistic and more relativistic than men. Although the findings are mixed, a closer look suggests that gender differences are more evident in terms of idealism. In fact, the literature shows women consistently more idealistic than men, while that does not happen with relativism. Given this empirical evidence, we expect to find in our sample women more idealistic than men and also to find no gender differences related to relativism.

Research on the relationship between gender and ethical judgment is also mixed in the literature. Several studies showed women to have higher ethical attitudes than men (Akaah, 1989; Cohen et al., 2001; Dawson, 1997; Ruegger and King, 1992; Weeks et al., 1999). Other studies, on the other hand, showed no significant differences between ethical judgments of men and women (Hartikainen and Torstila, 2004; Radtke, 2000; Serwinek, 1992; Shafer et al., 2001; Sikula and Costa, 1994; Stanga and Turpen, 1991; Tsalikis and Ortiz-Buonafina, 1990). According to these results, we either expect to find women in our sample stricter than men when judging the actions in job-related scenarios, or find no significant differences between women and men.

#### *Education level*

Since accountants in our sample have different levels of education, we also decided to include education

in this study, along with age and gender, as a variable to explain differences in both ethical ideology and ethical judgment. Ho et al. (1997) and Singhapakdi et al. (1999) found that more educated individuals were less idealistic than less educated individuals, but both studies did not find a significant relationship between education and relativism. Bass et al. (1998) observed that education did not have a significant effect on either idealism or relativism. Given this evidence, we expect to find in our sample more educated accountants to be less idealistic and we also expect to find no relation between education and relativism.

Previous research findings on the relationship between education and ethical judgment are also mixed. There are studies suggesting that education level is not related to ethical judgment (Deshpande, 1997; Dubinsky and Ingram, 1984; Kidwell et al., 1987; Merritt, 1991; Serwinek, 1992; Shafer et al., 2001). Other studies, on the other hand, suggest a positive relationship between education level and ethical judgment (Browning and Zabriskie, 1983; Jones and Gautschi, 1988; Razaque and Hwee, 2002). According to these results, we either expect to find more educated accountants to be stricter than less educated accountants when judging the actions in job-related scenarios or find no relationship between education level and ethical judgment.

### **Hypotheses**

Based on the preceding literature review and empirical evidence, the following hypotheses were tested:

- H1:* Older chartered accountants will be more idealistic than younger chartered accountants;
- H2:* Older chartered accountants will be less relativistic than younger chartered accountants;
- H3:* Female chartered accountants will be more idealistic than male chartered accountants;
- H4:* Female and male chartered accountants will not differ in terms of relativism;
- H5:* More educated chartered accountants will be less idealistic than less educated chartered accountants;
- H6:* Chartered accountant's education level will not be related to relativism;

- H7*: More idealistic chartered accountants will make stricter ethical judgments than less idealistic chartered accountants;
- H8*: More relativistic chartered accountants will make more lenient ethical judgments than less relativistic chartered accountants;
- H9*: Older chartered accountants will make more lenient ethical judgments than younger chartered accountants;
- H10*: Female chartered accountants will make stricter ethical judgments than male chartered accountants;
- H11*: More educated chartered accountants will make stricter ethical judgments than less educated chartered accountants;
- H12*: Chartered accountants with different ethical ideologies will differ in terms of their ethical judgments;
- H13*: Chartered accountants classified as absolutists will make stricter ethical judgments than chartered accountants with other ethical ideologies.

## Methodology

### Questionnaire

Our research data was collected at two conferences organized by the CTOC. The questionnaires were distributed to the chartered accountants at the beginning of both conference and they were subsequently collected at the end of both conferences. We collected 166 questionnaires at the first conference and 151 questionnaires at the second conference, for a total of 317 questionnaires. The questionnaire was organized in three parts. The first part was designed to assess the respondent's background information, such as gender, age, education level, and work experience. The second part of the questionnaire consisted of the Ethics Position Questionnaire developed by Schlenker and Forsyth (1977) and Forsyth (1980), used to determine respondent's idealism and relativism levels and, consequently, to assess their ethical ideology. The last part of the questionnaire comprised five job-related scenarios, used to evaluate the respondent's ethical judgments.

### Sample

The sample consisted of chartered accountants who were members of the CTOC. Since 41 respondents from our initial sample, in spite being professionally qualified to work as accountants, were not practising professionally as accountants, they were excluded from our study, so that the results and the respective conclusions referred only to active chartered accountants. In this way, we obtained a final sample size of 276 observations. The mean age of the respondents was approximately 44 years, but the largest group (34.8%) was the one with ages between 31 and 40 years. The majority of the chartered accountants were male (65.2%). In terms of work experience as an accountant, the largest group (32.4%) was the one between 6 and 15 years of work experience, with 19.3% of the respondents having more than 25 years of work experience as chartered accountants. The work experience groups that we used in this sample analysis were the same used by Hartikainen and Torstila (2004). Most of the respondents held college degrees (59.4%), but on the other hand, a significant number of respondents (16.3%) had not completed high school.

### Measures

#### Ethical ideologies

Idealism and relativism levels of our respondents were assessed using Forsyth's Ethics Position Questionnaire (EPQ). The EPQ consists of 20 items, of which the first 10 measure idealism and the last 10 measure relativism. Using a seven-point Likert scale, ranging from "completely disagree" (point 1) to "completely agree" (point 7), respondents were asked to state their extent of agreement or disagreement on the EPQ 20 items. The seven-point Likert scale that we used to determine respondents' idealism and relativism levels was also used by Hartikainen and Torstila (2004). Idealism and relativism scores of each respondent were assessed by calculating the mean of the answers to the first 10 items and the last 10 items, respectively. Higher scores on both idealism and relativism dimensions indicate higher levels of idealism and relativism.

In order to assess the reliability of the idealism and relativism scales, we used Cronbach's alpha as a measure of reliability. In the present study, Cronbach's alpha for the idealism scale was 0.80, and for the relativism scale, 0.87. These results indicate that both idealism and relativism scales have a good level of reliability. The full text of the EPQ is presented in Appendix A.

To classify the respondents into one of the four ethical ideologies, we used their idealism and relativism scores. This was done by using the median scores of idealism and relativism as cut-off points. The median scores for idealism and relativism were 5.9 and 4.1, respectively. Respondents that scored above the median on idealism and on relativism were classified as situationists ( $n = 76$ ). Respondents scoring below the median on idealism and above the median on relativism were classified as subjectivists ( $n = 53$ ). Respondents scoring above the median on idealism and below the median on relativism were classified as absolutists ( $n = 54$ ). Finally, respondents scoring below the median on idealism and on relativism were classified as exceptionists ( $n = 72$ ). We note that 13 respondents scored 5.9 on idealism and eight respondents scored 4.1 on relativism. Since these were the values that we used as cutoff points, we decided not to classify those 21 respondents into one of the four ethical orientations. This means that any statistical procedure involving ethical ideology as a variable will not include those 21 respondents.

#### *Ethical judgments*

In order to evaluate the ethical judgments of our respondents, we used a four-item semantic differential scale adapted from the multidimensional ethics scale developed by Reidenbach and Robin (1988, 1990). The four-item scale applied in the present study included the same items that were used in a previous research study conducted by Hartikainen and Torstila (2004). Respondents were asked to evaluate the actions in five job-related ethical scenarios on a seven-point scale anchored by these opposite word pairs: "personally acceptable/not personally acceptable", "generally acceptable/not generally acceptable", "morally right/morally wrong," and "acceptable to colleagues/not acceptable to colleagues".

Cronbach's alpha for the four-item scale on each of the five ethical scenarios were 0.78, 0.84, 0.84,

0.91, and 0.87, respectively. These results were judged to be adequate for the present study.

Ethical judgment scores in each scenario were calculated using the scores on the item "personally acceptable". This same procedure was followed before by Hartikainen and Torstila (2004). Relatively to the seven-point scale, the lowest point of the scale is anchored by the statement "not personally acceptable" and the highest point is anchored by the statement "personally acceptable," so that lower scores indicate stricter ethical judgments and higher scores indicate more lenient ethical judgments.

#### *Ethical scenarios*

Five job-related ethical scenarios were developed for the present study. Following Weber's (1992) recommendations, we tried to develop scenarios that contained realistic ethical dilemmas related to the accounting profession. Thus, the scenarios considered illustrate accounting practices that are familiar to Portuguese chartered accountants. In addition, Weber (1992) suggested also the use of a reasonable number of scenarios, avoiding the use of only one or two scenarios and also the use of an excessive number of scenarios. In accordance, the use of five scenarios was judged adequate for the present study.

The first scenario describes a chartered accountant being pressured by a member of the Board of Directors to disrespect the International Accounting Standard number 20,<sup>4</sup> in order to improve the company short-term results, through the recognition as income in a single year of a government grant that should be recognized for that purpose during a period of several years. The second scenario describes a chartered accountant, employed by a public company, engaging in illegal insider trading, punishable with up to 3 years in prison, according to the Código dos Valores Mobiliários (Portuguese Securities Code). The third scenario describes a mistake made by a chartered accountant and his questionable attempt to try to correct the mistake by asking a friend for a personal favor in order to avoid a lawsuit against him and a complaint to the CTOC. The fourth scenario deals with revealing the content of several business contracts from an old client to a possible future client. The fifth and last scenario describes a chartered accountant agreeing to receive from a client variable fees whose amount depends

directly on the client's profit.<sup>5</sup> The full text, and also a brief description of the ethical implications for the five ethical scenarios, are presented in Appendix B.

### Data analysis

With the objective of analyzing the effects of age, gender, and education level on idealism and relativism levels (hypotheses H1–H6) we used multiple linear regression models. Two regression equations were generated, one with the idealism score as the dependent variable and the other one with the relativism score as the dependent variable. In both regression equations, age, gender, and education levels were the independent variables.

We conducted another set of regression equations to verify the influence of idealism and relativism dimensions, gender, age, and education level on the ethical judgment of our respondents (hypotheses H7–H11). For each scenario, a regression equation was generated, with the score on item “personally acceptable” as the dependent variable. The idealism score, the relativism score, age, gender, and education level were the independent variables used in those regression equations.

Since gender and education level are not quantitative variables, we had to code them. In this way, the gender dummy was assigned the value 0 if the respondent was female or 1 if the respondent was male. For the education dummy, this variable was assigned the value 0 if the respondent had a high-school degree or less, or 1 if the respondent had at least a bachelor's degree.

After classifying our respondents into one of the four ethical ideologies (absolutists, subjectivists, situationists, and exceptionists), we performed multivariate analysis of variance (MANOVA) to test for significant differences in ethical judgments based on the respondents' ethical ideologies (hypothesis H12). The scores on item “personally acceptable” for the five scenarios were the dependent variables and the four ethical ideology categories were the independent variables. We also conducted univariate analysis of variance (ANOVA) for each scenario to facilitate interpretation of the MANOVA results. Post-hoc comparisons were also performed to determine if the ethical judgments of respondents classified as absolutists were significantly stricter than the ethical

judgments of respondents with other ethical ideologies (hypothesis H13).

Statistical analyses were performed using SPSS for Windows (version 14.0). The statistical significance was set at the 0.05 level.

## Results and discussion

### Determinants of idealism and relativism

Table II provides the results of two regression equations, one with idealism as the dependent variable and the other with relativism as the dependent variable. In both equations age, gender, and education levels are the independent variables.

The influence of age on idealism was not significant, which is consistent with some previous findings that failed to establish a significant relationship between age and idealism (Douglas et al., 2001; Singhapakdi et al., 1999). On the other hand, and unexpectedly, the regression coefficient for age was significantly positive in the relativism regression equation. This result suggests that older respondents are significantly more relativistic than younger ones, which is contrary to those studies that found a negative relation between age and relativism (Bass et al., 1998; Hartikainen and Torstila, 2004). These results force us to reject hypotheses H1 and H2.

The effects of gender were not significant on either the idealism or on the relativism regression

TABLE II  
Ethical dimensions regression models

Independent variables	Idealism score		Relativism score	
	Coeff.	t-Stat	Coeff.	t-Stat
Constant	5.614***	19.865	3.445***	7.524
Gender	−0.002	−0.021	−0.156	−0.855
Education	−0.162	−1.291	−0.197	−0.973
Age	0.007	1.330	0.019*	2.224
Adjusted R <sup>2</sup>	0.023		0.034	
F-Statistic	3.146*		4.201**	
N	276		276	

\*Statistically significant at the 0.05 level.

\*\*Statistically significant at the 0.01 level.

\*\*\*Statistically significant at the 0.001 level.



equations, therefore, hypothesis H4 is supported but hypothesis H3 is not. The results indicate that Portuguese female accountants do not differ from male counterparts in terms of idealism, which is consistent with the findings of Forsyth et al. (1988) and Singhapakdi et al. (1999), and they also indicate that women do not differ from men in terms of relativism, which is also consistent with some previous studies (Bass et al., 1998; Forsyth et al., 1988; McHoskey, 1996; Singhapakdi et al., 1999).

Like gender, the influence of education level on idealism and relativism was not significant, supporting hypothesis H6 but not supporting hypothesis H5. These results suggest that respondent's education level is not related to idealism, which is consistent with the findings of Bass et al. (1998), and that education level is also not related to relativism, which is consistent with the findings of Bass et al. (1998), Ho et al. (1997), and Singhapakdi et al. (1999).

The most surprising result is the positive and significant coefficient for age in the relativism regression equation, suggesting that older chartered accountants are more relativistic than younger chartered accountants. This is a new finding that goes against all previous research that studied the influence of age on relativism level. It appears from this finding that younger chartered accountants will rely more on universal moral principles

to make ethical judgments than older chartered accountants.

#### *Determinants of ethical judgments*

Table III provides the results of five regression equations, one for each scenario, with the score on item "personally acceptable" as the dependent variable and with idealism score, relativism score, gender, education level, and age as independent variables.

The influence of idealism on the ethical judgments of our respondents was very limited. In all five scenarios, the regression coefficients for idealism were not significant at conventional levels, and therefore we can reject hypothesis H7. This result is not consistent with previous research that showed idealism significantly and negatively related with ethical judgments (Barnett et al., 1994, 1998).

The effects of relativism on the ethical judgments of our respondents were also very limited. Only in the third scenario did we find a significant (at the 1% level) and positive regression coefficient for relativism. Since in four of five ethical scenarios relativism was not significantly related with ethical judgments, we should also reject hypothesis H8. This result is consistent with some previous empirical findings (Barnett et al., 1994; Hartikainen and Torstila, 2004).

TABLE III  
Ethical judgment regression models in job-related scenarios

Independent variables	Scenario I		Scenario II		Scenario III		Scenario IV		Scenario V	
	Coeff.	t-Stat	Coeff.	t-Stat	Coeff.	t-Stat	Coeff.	t-Stat	Coeff.	t-Stat
Constant	3.926**	2.719	1.685	1.085	1.263	0.870	4.002*	2.483	3.989**	2.743
Idealism score	-0.246	-1.110	0.036	0.154	-0.018	-0.084	-0.196	-0.821	0.062	0.303
Relativism score	0.172	1.449	0.174	1.372	0.317**	2.676	0.137	1.052	0.186	1.507
Gender	-0.193	-0.558	-0.766*	-2.051	-0.833*	-2.405	-0.490	-1.298	-0.365	-1.011
Education	-0.377	-0.968	-0.372	-0.895	0.088	0.224	-1.328**	-3.045	-0.783	-1.945
Age	0.012	0.675	0.031	1.628	0.037*	2.057	0.016	0.804	-0.019	-1.065
Adjusted R <sup>2</sup>	0.006		0.030		0.050		0.066		0.012	
F-Statistic	1.291		2.490*		3.594**		4.383**		1.592	
N	244		243		245		240		248	

\*Statistically significant at the 0.05 level.

\*\*Statistically significant at the 0.01 level.

\*\*\*Statistically significant at the 0.001 level.

We should note that the regression coefficients for relativism were consistently positive (as expected) across the five scenarios, while the regression coefficients for idealism were negative (as expected) only in three scenarios. We can also observe in all scenarios that the absolute value of the *t*-statistic is greater for relativism than it is for idealism. These results force us to conclude that relativism may have a stronger effect on ethical judgments than idealism. This finding is not consistent with some studies that suggest exactly the opposite (Barnett et al., 1994, 1996, 1998; Bass et al., 1998; Douglas et al., 2001).

The influence of age was also very small. In four scenarios, the sign of the regression coefficient for age was positive as expected, but only in the third scenario was the coefficient for age significant, thus not supporting hypothesis H9. This means that there are no significant differences on the ethical judgments between older and younger respondents. This result neither takes the side of those studies suggesting that older individuals hold higher ethical standards (Dawson, 1997; Hartikainen and Torstila, 2004; Ruegger and King, 1992; Serwinek, 1992; Weeks et al., 1999) nor the side of those studies suggesting that, as age progresses, ethical standards become lower (Roozen et al., 2001; Sankaran and Bui, 2003).

Gender appears to be the most important determinant of ethical judgments. The regression coefficient for gender was significant in the second and third scenarios, but the most striking result was the unexpected negative sign of the gender coefficient across the five scenarios. This result completely rejects hypothesis H10, and suggests that men are stricter than women when making ethical judgments. This finding is not consistent with previous research that showed women having higher ethical attitudes than men (Akaah, 1989; Cohen et al.,

2001; Dawson, 1997; Ruegger and King, 1992; Weeks et al., 1999).

More educated respondents revealed stricter ethical judgments than less educated respondents in four scenarios, but only in the fourth scenario was the difference statistically significant (at the 1% level). We should also note that the regression coefficient for education almost achieved statistical significance in the fifth scenario ( $p < 0.06$ ). These results, however, do not offer enough statistical evidence to support hypothesis H11 and therefore this study weighs in on the side of previous studies that have not identified any statistically significant relationship between education level and ethical standards (Deshpande, 1997; Dubinsky and Ingram, 1984; Kidwell et al., 1987; Merritt, 1991; Serwinek, 1992; Shafer et al., 2001).

#### *Ethical ideologies and ethical judgments*

Table IV shows the mean answers on the item “personally acceptable” for each scenario across the four different ethical ideologies. Absolutists, as expected, were the strictest group of respondents in all five scenarios and situationists were the most lenient group in four scenarios. To test for significant differences in the groups’ ethical judgments, a MANOVA was performed with the scores on item “personally acceptable” for the five scenarios as dependent variables and the four groups of ethical ideology as independent variables.<sup>6</sup>

The MANOVA results, presented in Table V, were not significant at conventional levels, therefore do not support hypothesis H12. These results force us to conclude that chartered accountants with different ethical ideologies do not differ in terms of

TABLE IV  
Ethical ideologies mean answers

	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Situationist	3.49	3.58	3.92	3.21	3.74
Absolutist	2.96	2.86	3.32	2.43	3.27
Subjectivist	3.77	3.35	3.76	3.21	3.73
Exceptionist	3.36	3.10	3.32	3.06	3.40

Note: Scale from 1 (“personally not acceptable”) to 7 (“personally acceptable”).

TABLE V  
MANOVA results

Test name	Value	Approximate $F$	Significance of $F$
Pillai's trace	0.047	0.652	0.832
Wilks' lambda	0.954	0.649	0.834
Hotelling's trace	0.048	0.647	0.836
Roy's largest root	0.031	1.276	0.276

their ethical judgments. This finding is not consistent with earlier studies that found significant differences in ethical judgments based on ethical ideology (Barnett et al., 1994, 1998; Bass et al., 1998; Tansey et al., 1994).

To test for hypothesis H13, we conducted an ANOVA for each scenario with the score on item "personally acceptable" as the dependent variable and the four groups of ethical ideology as independent variables.

For all five scenarios, the ANOVA results, shown in Table VI, were not significant at conventional levels, thus reinforcing the MANOVA findings. This means that none of the ethical ideologies significantly differed from the others in terms of their ethical judgments. Therefore, hypothesis H13 was not supported. This finding is not consistent with previous studies that found significant differences between absolutists and subjectivists (Barnett et al., 1998; Bass et al., 1998; Tansey et al., 1994) and between absolutists and exceptionists (Barnett et al., 1998; Bass et al., 1998).

## Conclusions and implications

Some results obtained were as expected, but others were not. An unexpected result was that older chartered accountants tend to be more relativistic

than younger ones. It appears from this finding that, as experience is gained, chartered accountants are less willing to follow rules. It is not hard to picture a younger chartered accountant in the beginning of his career, with high ethical standards and willing to do things right, in conformity to rules, and being confronted with a deceitful, disloyal, and disrespectful accountancy world, where the most unprincipled accountants are the ones progressing in their careers. We should also note that older chartered accountants were more lenient than younger ones in four scenarios. Although only in one scenario was the age coefficient statistically significant, we think that these results leave the idea that, as age and experience progress, ethical standards become lower. Future research should attempt to confirm or reject this possibility.

Another surprising result was that male chartered accountants revealed themselves stricter than female chartered accountants in all five scenarios, with this difference being statistically significant in two scenarios. This finding refutes the generalized theory that women have higher ethical standards than men. In fact, our study suggests exactly the opposite. We have not found in the literature any study supporting this finding, so we think that this result opens new doors to further empirical research on gender differences regarding ethical judgments.

As expected, more educated chartered accountants were stricter than less educated chartered accountants in four scenarios. The difference was significant in one scenario and almost achieved statistical significance in the fifth scenario. Although we rejected hypothesis H11, we should not neglect education level as an ethical judgment predictor. It is important and essential that accounting schools integrate (as some of them already do) ethical and deontological issues in their courses, in order to make students aware of potential legal and ethical dilemmas that they might face during their future careers.

TABLE VI  
ANOVA results

	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
$F$ -statistic	1.007	0.857	0.970	1.031	0.528
Significance of $F$	0.391	0.464	0.408	0.380	0.664

Our results also show that idealism and relativism levels were not significant determinants of ethical judgments. Relativism, however, had a stronger effect on our respondents' ethical judgments than idealism, which is not consistent with previous research that showed idealism having a bigger influence on ethical judgments than relativism. This small effect of ethical ideology on ethical judgments was probably caused by the reduced level of moral intensity incorporated in the scenarios used to evaluate chartered accountants' ethical judgments. It was maybe a question of moral intensity. Barnett et al. (1994) suggested that, when the actions are not considered highly unethical, ethical ideology may not be an important determinant of ethical judgments, and Douglas et al. (2001) concluded that ethical ideology was a significant determinant of ethical judgments only in situations of high moral intensity. Our respondents did not consider very unethical the actions described in the scenarios, since their mean answers were always above 3 in the scenarios (except in the fourth scenario, where the mean answer was 2.97), on a scale from 1 ("personally not acceptable") to 7 ("personally acceptable"). Therefore, we think that is plausible to conclude that the scenarios used were not considered unethical enough to trigger ethical ideology as a major predictor of ethical judgments.

We would like to leave here a small advice, especially to Portuguese companies interested in hiring accountants with higher ethical standards. Based on the findings of our study, they should look for young and male accountants, and preferably, holding a college degree.

Finally, it would be advisable to perform in a future empirical research, a replication of the current study, but if possible, using a larger sample of Portuguese chartered accountants and scenarios of high moral intensity to evaluate ethical judgments.

### Limitations of this study

Like any other empirical research, this study has some limitations. The first limitation is that the sample size was relatively small and may not be representative of all Portuguese chartered accountants. Another possible limitation relates to the scenarios used to evaluate respondents' ethical judgments. Some regression

coefficients were not consistent across all five scenarios, indicating that the scenarios used may have some influence on the results obtained. However, and despite the fact that the scenarios used were new ones, we trust in the results, since we carefully developed scenarios containing realistic accounting practices easily recognized as ethical dilemmas by the Portuguese chartered accountants. The last limitation is that we evaluated respondents' ethical judgments regarding hypothetical ethical dilemmas, but we cannot know for sure if their answers would correspond or not to their behavior in actual situations.

### Notes

<sup>1</sup> It has not always been like this. Older accountants that became members of the Chamber a long time ago exhibit, on average, lower education levels.

<sup>2</sup> According to Jones (1991), ethical decision making is affected by the characteristics of the moral issue itself, its moral intensity. Jones identifies six components of moral intensity: magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect. Any ethical issue can be represented in terms of its moral intensity; which varies from issue to issue. The moral intensity of an ethical issue is generally expected to change, if there is a change in any of its components (Jones, 1991). In their study Douglas et al. (2001) used two levels of moral intensity, high and low, and the vignettes used to measure ethical judgments were defined as holding a high level of moral intensity if they scored high on more than three of the six components of moral intensity.

<sup>3</sup> The findings of Singhapakdi et al. (1999) showed no significant relation between work experience and ideology dimensions. Since work experience tends to correlate strongly with age, we can also assume that age had no significant relation with ideology dimensions in the study conducted by Singhapakdi.

<sup>4</sup> International Accounting Standard number 20 (IAS 20) prescribes the accounting for, and disclosure of, government grants and the disclosure of other forms of government assistance. Succinctly, the IAS 20 specifies that a government grant is recognized as income on a systematic basis over the periods necessary to match the grant income with the related costs that it is intended to compensate.

<sup>5</sup> According to the Deontological Code of the CTOC, the chartered accountants may not charge or accept fees whose amount depends directly, as a whole or as part, on the profits connected with the service rendered.

<sup>6</sup> We conducted a sensitivity analysis by ignoring the respondents with idealism and relativism scores within a range of 0.25 points from the median scores used as cut-off points. In other words, we considered only the respondents who scored above 6.15 or under 5.65 on idealism, and simultaneously scoring above 4.35 or under 3.85 on relativism. This procedure resulted in 42 exceptionists, 29 subjectivists, 34 absolutists, and 56 situationists. We then recomputed the MANOVA and ANOVA tests reported in Tables V and VI, respectively. Results (not shown) were not significantly different. We also conducted the same sensitivity analysis described before, but this time considering a range of 0.5 points. This resulted in 31 exceptionists, 16 subjectivists, 17 absolutists, and 42 situationists. Again, results (not shown) were not significantly different.

<sup>7</sup> According to the Portuguese tax legislation, Corporate Income Tax can be assessed by two different methods: the general regime and the simplified regime. Succinctly, under the general regime, the taxable profit is determined on the basis of net accounting profits, as adjusted for allowable expenses and any revenues that may be excluded from taxation. Companies with revenues in the previous year lower than €149,639.37 and that have not opted for the general regime, are obligated to apply the simplified regime in order to determine their taxable profit. Basically, under the simplified regime, the taxable profit is determined by the application of a 0.20 coefficient to sales and of a 0.45 coefficient to all other types of revenues. The taxable profit determined by the simplified regime rules cannot be lower than the yearly national minimum wage.

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## Appendix A: Ethics Position Questionnaire (EPQ)

1. A person should make certain that his or her actions never intentionally harm another even to a small degree.
2. Risks to another should never be tolerated, irrespective of how small the risks might be.
3. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.
4. One should never psychologically or physically harm another person.
5. One should not perform an action that might, in any way, threaten the dignity and welfare of another individual.
6. If an action could harm an innocent other, then it should not be done.
7. Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.
8. The dignity and welfare of people should be the most important concern in any society.
9. It is never necessary to sacrifice the welfare of others.
10. Moral actions are those that closely match ideals of the most "perfect" action.
11. There are no ethical principles that are so important that they should be a part of any code of ethics.
12. What is ethical varies from one situation and society to another.
13. Moral standards should be seen as being individualistic; what one person considers moral may be judged to be immoral by another person.
14. Different types of moralities cannot be compared as to "rightness."
15. Questions of what is ethical for everyone can never be resolved, since what is moral or immoral is up to the individual.
16. Moral standards are simply personal rules which indicate how a person should behave, and are not to be applied in making judgments of others.
17. Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.
18. Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustments.
19. No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.
20. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

## Appendix B: Job-related scenarios [E1]

*Scenario I:* A company received a nonrepayable government grant in order to invest in new industrial equipment. One member of the company's Directors Board, with the purpose of improving the short-term results, arranged a meeting with the chartered accountant, in which he pressured him in order to recognize the total grant amount as income for the period.

*Action:* The chartered accountant recognized the total grant amount as income of the period.

*Unethical behavior:* The chartered accountant, besides not respecting the generally accepted accounting principles, violated the Deontological Principle of Independence by acting according to a third-party indication, compromising his integrity and his independence.

*Scenario II:* A chartered accountant of a public company knows about the highly positive results that will be shown to the stockholders.

*Action:* A company's chartered accountant, before the public disclosure of the corresponding results, called a personal friend advising him to buy stocks of that same company.

*Unethical behavior:* In this scenario the chartered accountant engaged in insider trading, violating the Deontological Principle of Confidentiality, which states that a chartered accountant should not disclose any information obtained in the exercise of their functions. Besides the fact that this act is illegal in Portugal, the chartered accountant used non-public information to favor a personal friend, violating the trust and confidence of his employer.

*Scenario III:* A chartered accountant, by distraction, did not exercise until the end of March, in the respective alteration declaration, the option for the taxable profit general regime regarding a client company, whose revenues, in the previous tax year, were less than €149,639.37. The company owners, having knowledge of that situation, which demanded a minimal lasting of 3 years in the taxable profit simplified regime, threatened to complain about the chartered accountant to the CTOC and, at the same time, threatened him with a lawsuit.<sup>7</sup>

*Action:* The chartered accountant invited for dinner a personal friend, employee in a Repartição de Finanças (Tax Bureaux), and asked him to (unlawfully) receive and submit the alteration declaration with a date prior to 31 March.

*Unethical behavior:* The chartered accountant's action is illegal and criminally punishable. This action, equivalent to a bribe, consisted of taking advantage of a personal friend's position in order to obtain personal benefits by prejudicing the Portuguese State.

*Scenario IV:* After ending the work with one of his biggest clients, a chartered accountant had a meeting with a competitor of his former client, regarding the same kind of work he used to do for his former client.

*Action:* The chartered accountant, with the purpose of persuading the potential client to hire his services, declared in the meeting that he was aware of the details of several contracts in which his former client was involved, stating also his availability to reveal the content of those same contracts, if hired.

*Unethical behavior:* In this scenario, the chartered accountant also violates the Deontological Principle of Confidentiality (similarly to the action in scenario II), by revealing classified information with the purpose of obtaining personal benefits with no regards to possible harm to his prior client.

*Scenario V:* It was offered to a chartered accountant, by one of his clients, to change his contract. According to this new contract, the fees to be paid to the chartered accountant would no longer be fixed but would be variable, depending on the company's net income.

*Action:* The chartered accountant accepted and signed the new contract.

*Unethical behavior:* The Deontological Code of the CTOC does not allow chartered accountants to charge variable fees, depending on the client's profit. With this restriction, the CTOC tries to guarantee the integrity and independence of the chartered accountants, since chartered accountants with variable fees could engage in some ethically questionable actions in order to improve their fees.

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