



## An Analysis of the Relationship between IFAC Code of Ethics and CPI

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### Abstract

Code of ethics has become a significant concept as regards to the business world. That is why occupational organizations have developed their own codes of ethics over time. In this study, primarily the compatibility classification of the accounting code of ethics belonging to the IFAC (The International Federation of Accountants) is carried out on the basis of the action plans assessing the levels of usage by the 175 IFAC national accounting organizations. It is determined as a result of the classification that 60,6% of the member organizations are applying the IFAC code in general, the rest 39,4% on the other hand, is not applying the code at all. With this classification, the hypothesis propounding that “The national accounting organizations in highly corrupt countries would be less likely to adopt the IFAC ethic code than those in very clean countries,” is tested using the “Corruption Perception Index-CPI” data. It is determined that the findings support this relevant hypothesis.



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## Introduction

The issue of ethics has increasingly become an important field of study as regards to the business behavior in enterprises. A number of companies, various educational institutions and occupational organizations show a high level of interest to the subject. When ethics is considered to be the code of conducts internalized by the society, it becomes evident that it is necessary for all the organizations which interact with their close circles to act sensitively in terms of ethical standards. Taylor (1975) defines ethics as an “inquiry into the nature and grounds of morality”; Barry (1979), on the other hand, defines the concept as “the study of what constitutes good and bad human conduct, including related actions and value.”

The fundamental function of the code of ethics is to influence people in their decision-making processes to show a tendency to take decisions which are acceptable by the organization (Ferrell and Fraedrich, 1991). The code of ethics incorporates the responsibilities that the company management has towards its shareholders, in other words, briefly the environment they act in; and provides standards indicating what is within the line of “right and acceptable course of conduct” definition.

When the international accounting code of ethics is reviewed, The International Federation of Accountants (IFAC) contributes to the development, adoption and implementation of high quality ethical standards for the accountants through the International Ethics Standards Board for Accountants’ (IESBA) support (IESBA, 2). IESBA’s long-term objective is to converge the rule of code of ethics, which is valid for the accountants, with the standards published by the regulators and standard setters. Convergence to only one set of standards may well increase the quality and consistency of the services provided by the accountants all over the world, and improve the efficiency of the global capital markets (IESBA, 1).

The code of ethics for the IESBA accountants is composed of three major parts: (IESBA, 5)

- General Application of the Code
- Professional Accountants in Public Practice
- Professional Accountants in Business

## Literature Review

It can be deduced from the literature review that the codes of ethics are prevalently used in businesses and subjected to research as regards to many aspects (Farrell and Farrell, 1998). While Hite et al. (1988), Schlegelmich and Houston (1989), Pelfrey and Peacock (1991) refer to the content and scope of the code of ethics in their studies, certain other scholars scrutinize the level of usage of code of ethics by companies on country basis (Farrell and Cobbin, 2000). Pelfrey and Peacock (1991) have found out in their studies that 50% of the companies within Fortune 500 in the U.S.A. have their own codes of ethics. This rate is expressed to be 41% for Europe by Langlois and Schlegelmilch (1990), and 50% for Australia by Farrell and Cobbin (1996) (Farrell Farrel, 1998). Langlois and Schlegelmich (1990) have compared 600 European companies with their American counterparts in their studies, and explicated that the code of ethics in Europe started to be used later than their counterparts in the U.S.A., and there are certain indications suggesting that the European codes were inspired from the American codes of ethics. Aydınlik and Dönmez (2006) have drawn the conclusion from their studies they conducted in Turkey that the codes of ethics are being used in low rates within the country.

When relevant studies are examined, various other studies, through which the codes of ethics are scrutinized with respect to socio-cultural perspective, are acquired. Cohen, Laurie and Sharp (1992) have underlined the impact of the socio-economic and cultural factors on the acceptance and national application of code of ethics. Similarly, Clements, Neill, Stovall (2008) examined the impact of the socio-cultural factors on the decision to apply the codes of ethics relevant to the International Federation of Accountants-IFAC in the accounting organizations of countries on the basis of Hofstede’s study, which includes cultural dimensions, as well. In another study, on the other hand, even though the countries have similar moral values, the challenges they come across in the developing international environment while taking decisions in the inter-cultural management because of the practical differences are underlined and a model is proposed for the inter-cultural ethical dichotomies (Wines, Napier, 1992).

Another area of analysis is relevant to the language of the codes of ethics. Attention is drawn to the fact that the grammatical structures used in the codes create a powerful sense of obligation and constitute an impediment to take decisions with free will. It is further elaborated in this study that the written codes shall not include complicated messages other than those aimed to be communicated (Farrell, Cobbin 2000).

Another point of view for the codes of ethics, on the other hand, is framed on the comparative analysis of the codes of ethics belonging to national occupational

organizations. In their study, Cobbin and Farrell (2000) have determined the fundamental features of the codes of ethics adopted by 57 national occupational organizations of accountants, elaborated on the naming of the codes, and examining their contents. Additionally, different integrated code types (allodial and decretal) utilized by the national occupational organizations are determined in this study, and the level of these codes' congruence with the code of ethics published by IFAC is detected. Cobbin and Farrell (2000)'s study demonstrate that "most of the respondents' codes were decretal, rule-based in content (96%), with varying amounts of allodial material incorporated" and "the position taken by IFAC in selecting a decretal code (with inspirational content) is congruent with the codes analyzed in this research."

Another research conducted on this issue by Cobbin and Farrell (2000) includes the analysis of ethical environment of the international accounting occupation. The objective of the research, which is based on the mainstreaming research model, is to determine the importance the national occupational organizations attribute to ethics, as a group.

Yet another research is on the comparison of the English translations of the code of ethics proposed by the occupational organizations of 28 countries and provision of a general perspective as regards to the code of ethics (Shachaf, 2005). This relevant study reveals the principles of code of ethics regulated as 20 different categories. The most frequently used ones of these codes are professional competency, honesty, confidentiality, and free and equal access to information.

Another study about the subject is on the analysis of the international accounting code of ethics. This study is carried out through 158 national accounting organizations. 80 of these organizations have been applying the IFAC codes as they are (with a slight modification under certain circumstances), and 78 of them have chosen not to use the IFAC code as a model. After making the necessary distinction, the researchers tested the hypothesis that countries with lower income levels are less willing to apply the IFAC code. The findings did not support the hypothesis. The reason for that is propounded to be the fact that applying the IFAC code was way less costlier for a country with low income level than creating a new code of ethics (Clements, Neill, Stovall, 2009).

As to the concept of corruption Macrea (1982, 678) defined it as an agreement that leads to exchanges between two people (supplier and demandant). According to Macrea, this agreement has an impact on the distribution of resources immediately or in near future, and includes abuse of common responsibilities or public resources for an individual desire. Stapenhurst (2000) and Worldbank (1997) defined corruption in the simplest

term as personal gain or abuse of public force to gain favor for a group to which the perpetrator is affiliated. Tanzi (1998) mentioned that it should not be deduced from this definition that there is not any corruption in the private sector activities. He further asserted that there is evident corruption in processes such as recruitment or purchasing especially in large-scale private enterprises.

Worldbank (1997) stated that corruption always results from the policies, bureaucratic traditions, political development and social histories of the countries. Although Husted (1999) uttered in many of his hypotheses that the reasons of corruption are economic and political factors; he stated that economic, political, cultural and psychological factors should be concomitantly examined by theoreticians while seeking the reasons for corruption.

Corruption Perception Index (CPI) is an index published regularly -every year- by a research company named as Transparency International as of 1995. The corruption perceptions in countries are determined in the index as a result of the expert opinions and public opinion polls. CPI is a composite indicator used to measure the public sector corruption perception in different countries all over the world (TI, Technical Methodology Note, 1). It is a composite index based on individual researches from various sources (Saha, Gounder and Jen-Je Su, 2012). The power of the CPI comes from the usage of more than one year averages increasing the reliability of the index, and provision of the data from various sources (Selingson, 2006). The index methodology is composed of four fundamental phases being the selection of the source data, re-scaling of the source data, combining the re-scaled source data, and reporting the measurement of uncertainty (TI, Technical Methodology Note, 1).

CPI 2014 is calculated through using 12 different source data from 11 different organizations. The standardization of the source data are carried out through a scaling from 0 to 100. 0 indicates highest level of corruption, and 100 indicates the lowest level of corruption (TI, Short Methodology Note, 1).

### Research and Empirical Results

The classification of countries applying the IFAC code, which is one of the variables in Clements, Neill, Stovall's (2009) studies, is updated in the light of the studies conducted by the IFAC in 2013-2014 and expanded to include the numbers of countries, and occupational organizations in the first part of the study. Thereby, the development of the IFAC code of ethics used by the different countries' accounting organizations within years is determined.

Following that, the Corruption Perception Index-CPI is incorporated into the study. In this analysis, the national occupational organizations applying the IFAC code as it is or with slight modifications and other organizations which do not apply the IFAC code are compared on the basis of the corruption perception index. In this sense, an analysis is carried out in order to determine whether there is any difference in the application of the IFAC code by the countries taking place in the upper and lower levels of the corruption perception index.

The data as regards to the application of the IFAC code of ethics by the occupational organizations are acquired from the IFAC's website. Statement of Member Obligations-SMO Action Plan covering the years of 2013-2014 is benefited to obtain the relevant data. This action plan can be deemed to be a continuation of the previous surveys conducted in the field and is composed of 7 chapters. The 4<sup>th</sup> chapter, IESBA Code of Ethics, is used in this study. IESBA Code of Ethics data are gathered from 179 member and associate member organizations. Some of these organizations apply the IFAC code, while others do not. Action plans are studies prepared and declared by the national accounting organizations themselves.

Although it is determined whether the IFAC code is used by the organizations through benefiting from the action plans; the organizations are grouped via taking the classifications, including the level of usage of the IFAC code by the organizations as a reference. These classifications are presented in the aforesaid surveys in the IFAC website.

Transparency International's corruption perception index (CPI) of 2014 data are also categorized. 4 of the countries within the 179 member and associate member organizations are not evaluated in the CPI. These countries are Brunei Darussalam, Fiji, Palestinian Territory Occupied and Cayman Islands. Therefore, occupational organizations belonging to these four countries are excluded from the list in the analysis of the relationship between the CPI and Code of Ethics.

**Table 1: Accounting Organizations that Completely Apply the IFAC Code of Ethics**

COUNTRY	ORGANIZATION
1 ALBANIA	Albanian Institute of Certified Accountants
2 ARMENIA	Association of Accountants and Auditors of Armenia
3 AZERBAIJAN	The Chamber of Auditors of Azerbaijan Republic
4 BAHAMAS	The Bahamas Institute of Chartered Accountants
5 BANGLADESH	The Institute of Chartered Accountants of Bangladesh
6 BANGLADESH	The Institute of Cost and Management Accountants of
7 BARBADOS	The Institute of Chartered Accountants of Barbados
8 BOLIVIA	Colegio de Auditores de Bolivia
9 BOSNIA AND HERZEGOVINA	Association of Accountants and Auditors of Republic of Sroska
10 BOSNIA AND HERZEGOVINA	Union of Accountants. Auditors and Financial Workers of
11 BOTSWANA	Botswana Institute of Chartered Accountants
12 BULGARIA	Institute of Certified Public Accountants of Bulgaria
13 CAMBODIA	Kampuchea Institute of Certified Public Accountants and
14 CAMEROON	The Institute of Chartered Accountants of Cameroon
15 COLOMBIA	Instituto Nacional de Contadores Públicos de Colombia
16 COTE D'IVOIRE	Ordre des Experts Comotables et Comotables Aarés de Côte
17 CROATIA	Croatian Audit Chamber
18 CYPRUS	The Institute of Certified Public Accountants of Cvorus
19 CZECH REPUBLIC	Chamber of Auditors of the Czech Republic
20 CZECH REPUBLIC	Union of Accountants of the Czech Republic
21 DENMARK	FSR - danske revisorer
22 EL SALVADOR	Instituto Salvadoreño de Contadores Públicos (ISCP)
23 FINLAND	HTM-tilitarkastajat ry - GRM- revisorer f
24 FINLAND	KHT-vhdistys-Föreningen CGR ry
25 GEORGIA	Georgian Federation of Professional Accountants and Auditors
26 GHANA	The Institute of Chartered Accountants (Ghana)
27 GREECE	Institute of Certified Public Accountants of Greece (SOEL)
28 ICELAND	Félag Lögqiltra Endurskodenda
29 IRELAND	The Institute of Certified Public Accountants in Ireland
30 JAMAICA	The Institute of Chartered Accountants of Jamaica
31 JAPAN	The Japanese Institute of Certified Public Accountants
32 JORDAN	Jordanian Association of Certified Public Accountants
33 KAZAKHSTAN	Chamber of Professional Accountants of the Republic of
34 KAZAKHSTAN	Chamber of Auditors of the Republic of Kazakhstan
35 KOREA, REPUBLIC OF	Korean Institute of Certified Public Accountants
36 KOSOVO	Society of Certified Accountants and Auditors of Kosovo
37 KYRGYZSTAN	Union of Accountants and Auditors
38 LATVIA	Latvian Association of Certified Auditors
39 LEBANON	Lebanese Association of Certified Public Accountants
40 MACEDONIA. THE FORMER YUGOSLAV	Institute of Certified Auditors of the Republic of Macedonia
41 MALAWI	The Society of Accountants in Malawi
42 MAURITIUS	Mauritius Institute of Professional Accountants
43 MOLDOVA, REPUBLIC OF	Association of Professional Accountants & Auditors of the
44 MONTENEGRO (REPUBLIC OF)	Institute of Certified Accountants of Montenegro (ICAM)
45 MONTENEGRO (REPUBLIC OF)	Institute of Accountants and Auditors of Montenegro
46 NIGERIA	Association of National Accountants of Nieria
47 PAPUA NEW GUINEA	Certified Practising Accountants Papua New Guinea
48 PARAGUAY	Colegio de Contadores de Paraguay
49 PERU	Junta de Decanos de Colegios de Contadores Publicos del Peru
50 POLAND	National Chamber of Statutory Auditors
51 ROMANIA	The Chamber of Financial Auditors of Romania
52 SERBIA (REPUBLIC OF)	Serbian Association of Accountants and Auditors
53 SIERRA LEONE	The Institute of Chartered Accountants of Sierra Leone.
54 SLOVAKIA	Slovenska Komora Auditorov
55 SLOVENIA	The Slovenian Institute of Auditors
56 SOUTH AFRICA	The South African Institute of Chartered Accountants
57 SWAZILAND	Swaziland Institute of Accountants
58 SWEDEN	FAR
59 SWITZERLAND	Treuhand-Kammer -Swiss Institute of Certified Accountants
60 TANZANIA. UNITED REPUBLIC OF	National Board of Accountants and Auditors (NBAA)
61 THAILAND	Federation of Accounting Professions
62 TOGO	Ordre National des Experts-Comotables et Comotables Aarés
63 TRINIDAD AND TOBAGO	The Institute of Chartered Accountants of Trinidad & Tobago
64 TURKEY	Expert Accountants' Association of Turkey
65 TURKEY	Union of Chambers of Certified Public Accountants of Turkey
66 UKRAINE	Ukrainian Association of Certified Accountants and Auditors
67 UKRAINE	Ukrainian Federation of Professional Accountants and Auditors
68 UNITED KINGDOM	Institute of Financial Accountants
69 UNITED KINGDOM	The Chartered Institute of Management Accountants (CIMA)
70 UNITED KINGDOM	The Chartered Institute of Public Finance and Accountancy
71 URUGUAY	Colegio de Contadores. Economistas y Administradores del
72 UZBEKISTAN	Chamber of Auditors of Uzbekistan
73 UZBEKISTAN	National Association of Accountants and Auditors of Uzbekistan
74 ZAMBIA	Zambia Institute of Chartered Accountants
75 ZIMBABWE	The Institute of Chartered Accountants of Zimbabwe

**Source:** IFAC: 2014, "Compliance Responses and Action Plans", <https://www.ifac.org/about-ifac/membership/compliance-program/compliance-responses>.

**Table 2: Accounting Organizations that Apply the IFAC Code of Ethics with Slight Modifications**

COUNTRY	ORGANIZATION
1 ALBANIA	Institute of Authorized Chartered Auditors of Albania
2 AUSTRALIA	CPA Australia
3 AUSTRALIA	Institute of Public Accountants
4 AUSTRALIA	The Institute of Chartered Accountants in Australia
5 COSTA RICA	Colegio de Contadores Públicos de Costa Rica
6 GUYANA	The Institute of Chartered Accountants of Guyana
7 HONG KONG (SPECIAL)	Hong Kong Institute of Certified Public Accountants
8 KUWAIT	Kuwait Association of Accountants and Auditors
9 LESOTHO	Lesotho Institute of Accountants
# LUXEMBOURG	Institut des Réviseurs d'Entreprises
# LUXEMBOURG	Ordre des Experts-Comptables du Luxembourg
# MADAGASCAR	Ordre des Experts Comptables et Financiers de Madagascar
# MALAYSIA	Malaysian Institute of Accountants
# MALAYSIA	The Malaysian Institute of Certified Public Accountants
# MONGOLIA	Mongolian Institute of Certified Public Accountants
# NEPAL	The Institute of Chartered Accountants of Nepal
# NETHERLANDS	Nederlandse Beroepsorganisatie van Accountants
# NIGERIA	The Institute of Chartered Accountants of Nigeria
# PAKISTAN	Institute of Cost and Management Accountants of Pakistan
# PAKISTAN	Pakistan Institute of Public Finance Accountants
# PAKISTAN	The Institute of Chartered Accountants of Pakistan
# PHILIPPINES	Philippine Institute of Certified Public Accountants
# ROMANIA	Comul Evnathilor Contabili si Contabililor Autorizati din Romania
# RUSSIAN FEDERATION	Russian Collegium of Auditors
# SENEGAL	Ordre National des Experts Comptables et Comptables Agréés du Sénégal
# SINGAPORE	Institute of Singapore Chartered Accountants
# SRI LANKA	Institute of Certified Management Accountants of Sri Lanka
# SRI LANKA	The Institute of Chartered Accountants of Sri Lanka
# TUNISIA	Ordre des Experts Comptables de Tunisie
# UGANDA	Institute of Certified Public Accountants of Uganda
# VIETNAM	Vietnam Accounting Association

**Source:** IFAC: 2014, “Compliance Responses and Action Plans”, <https://www.ifac.org/about-ifac/membership/compliance-program/compliance-responses>.

As can be seen from Table 1, 75 of the 175 IFAC member occupational organizations apply the IFAC rules without modifications. 31 national accounting organizations are presented in Table 2. These national accounting organizations apply the IFAC ethic codes with slight modifications. Although the 54 organizations, which are IFAC members, presented in Table 3 have their own ethic codes, they plan to converge their codes to the IFAC code or change their ethic codes completely with the IFAC code in the long term. 7 accounting organizations are presented in Table 4. These organizations use their own ethical requirements and have different approach to the usage of IFAC code of ethics. None of the 8 accounting organizations presented in Table 5 applies the IFAC code or plans to converge its code to the IFAC code or use the code completely on future dates. The rate of the occupational organizations completely applying the IFAC rules in totally 175 occupational organizations is 42.9%. The rate of the ones applying the IFAC ethic codes with slight modifications is 17.7%. The rate of the organizations that have used their own ethical requirements with a process to eliminate differences between their ethical requirements and the IFAC code of ethics is 30.8%. The rate of the organizations that use their own ethical requirements and have different approach to the usage of the IFAC code of ethics, on the other hand, is 4%. The rate of the

organizations that do not apply the IFAC code or plan to converge their codes to the IFAC code or use the code completely on future dates is 4.6%. Consequently, the total number of occupational organizations generally applying the IFAC code is 106. This constitutes 60.6% of all the occupational organizations. The total number of occupational organizations that generally do not apply the IFAC code is 69 and constitutes 39.4% of all the occupational organizations.

**Table 3: Accounting Organizations that Plan to Converge to or Completely Apply the IFAC Code of Ethics**

COUNTRY	ORGANIZATION
1 ARGENTINA	Federación Argentina de Consejos Profesionales de Ciencias Económicas
2 AUSTRIA	Institut Österreichischer Wirtschaftsprüfer
3 AUSTRIA	Kammer der Wirtschaftstreuhänder
4 SAHRAIN	Bahrain Accountants Association
5 BELGIUM	Institut des Experts-comptables et des Conseils Fiscaux - Instituut Van de Accountants en de Belastingconsulenten
6 BELGIUM	Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises
7 BENIN	Ordre des Experts-Comptables et Comptables Agréés du Bénin (OECCA)
8 BRAZIL	Conselho Federal de Contabilidade
9 BRAZIL	Instituto dos Auditores Independentes do Brasil
10 CANADA	Certified General Accountants Association of Canada
11 CANADA	Certified Management Accountants of Canada (Now operating as CPA Canada - effective April 1, 2013)
12 CANADA	The Canadian Institute of Chartered Accountants (Now operating as CPA Canada - effective April 1, 2013)
13 CHILE	Colegio de Contadores de Chile
14 CHINA	The Chinese Institute of Certified Public Accountants
15 CHINESE TAIWAN	Federation of CPA Associations of Chinese Taiwan
16 CROATIA	Croatian Association of Accountants and Financial Experts
17 DOMINICAN REPUBLIC	Instituto de Contadores Públicos Autorizados de la República Dominicana
18 EGYPT	The Egyptian Society of Accountants & Auditors
19 ESTONIA	Estonian Association of Auditors
20 GERMANY	Wirtschaftsprüferkammer
21 GUATEMALA	Instituto Guatemalteco de Contadores Públicos y Auditores
22 HAITI	Ordre des Comptables Professionnels Agréés d'Haiti
23 HUNGARY	Chamber of Hungarian Auditors
24 INDIA	The Institute of Cost Accountants of India
25 INDIA	The Institute of Chartered Accountants of India
26 IRAN (ISLAMIC REPUBLIC OF)	Iranian Association of Certified Public Accountants
27 IRAN (ISLAMIC REPUBLIC OF)	The Iranian Institute of Certified Accountants
28 IRAQ	Iraqi Union of Accountants and Auditors
29 IRELAND	Accounting Technicians Ireland
30 IRELAND	Chartered Accountants Ireland
31 ISRAEL	Institute of Certified Public Accountants in Israel
32 ITALY	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili
33 LATVIA	Association of Accountants of the Republic of Latvia
34 MALTA	The Malta Institute of Accountants
35 MEXICO	Instituto Mexicano de Contadores Públicos, A.C.
36 MOROCCO	Ordre des Experts Comptables du Royaume du Maroc
37 NAMIBIA	Institute of Chartered Accountants of Namibia
38 NEW ZEALAND	New Zealand Institute of Chartered Accountants
39 NICARAGUA	Colegio de Contadores Públicos de Nicaragua
40 NORWAY	Den Norske Revisorforening (DnR)
41 PANAMA	Colegio de Contadores Públicos Autorizados de Panamá
42 POLAND	Accountants Association in Poland
43 PORTUGAL	Ordem dos Revisores Oficiais de Contas (OROC)
44 RUSSIAN FEDERATION	The Institute of Professional Auditors
45 RUSSIAN FEDERATION	Moscow Audit Chamber
46 RUSSIAN FEDERATION	Audit Chamber of Russia
47 RUSSIAN FEDERATION	The Institute of Professional Accountants of Russia
48 RWANDA	Institute of Certified Public Accountants of Rwanda
49 SAUDI ARABIA	Saudi Organization for Certified Public Accountants
50 SOUTH AFRICA	The South African Institute of Professional Accountants
51 SRI LANKA	Association of Accounting Technicians of Sri Lanka
52 UNITED KINGDOM	Association of Accounting Technicians (AAT)
53 UNITED KINGDOM	The Institute of Chartered Accountants in England and Wales
54 UNITED STATES	American Institute of Certified Public Accountants

**Source:** IFAC: 2014, “Compliance Responses and Action Plans”, <https://www.ifac.org/about-ifac/membership/compliance-program/compliance-responses>.

**Table 4: Accounting Organizations that Have a different Approach to the Usage of IFAC Code of Ethics and Use their Own Code of Ethics**

COUNTRY	ORGANIZATION
FRANCE	Compagnie Nationale des Commissaires aux Comptes
FRANCE	Conseil Supérieur de l'Ordre des Experts-Comptables
HONDURAS	Colegio de Peritos Mercantiles y Contadores Públicos
INDONESIA	Ikatan Akuntan Indonesia
LITHUANIA	Lithuanian Chamber of Auditors
UNITED KINGDOM	Association of Chartered Certified Accountants (ACCA)
UNITED KINGDOM	The Institute of Chartered Accountants of Scotland

**Source:** IFAC: 2014, "Compliance Responses and Action Plans", <https://www.ifac.org/about-ifac/membership/compliance-program/compliance-responses>.

**Table 5: Accounting Organizations that Do Not Apply and Consider Applying the IFAC Code of Ethics**

COUNTRY	ORGANIZATION
1 GERMANY	Institut der Wirtschaftsprüfer
2 GUATEMALA	Colegio de Contadores Públicos y Auditores de Guatemala
3 JORDAN	The International Arab Society of Certified Accountants
4 KENYA	Institute of Certified Public Accountants of Kenya
5 LIBERIA	The Liberian Institute of Certified Public Accountants
6 PORTUGAL	Ordem dos Técnicos Oficiais de Contas
7 SPAIN	Instituto de Censores Jurados de Cuentas de España
8 UNITED STATES	Institute of Management Accountants

**Source:** IFAC: 2014, "Compliance Responses and Action Plans", <https://www.ifac.org/about-ifac/membership/compliance-program/compliance-responses>.

All national accounting organizations are classified in 5 categories according to the Corruption Perception Index prepared by the non-governmental organizations (NGO) named as the "Transparency International the Global Coalition against Corruption." These 5 categories are acquired through dividing a 100-points scale into 20-points sections. The first category between 0-20 point intervals is identified as "highly corrupt." The second category of 20-40 points is identified as "corrupt." The third category of 40-60 points is identified as "neither clean nor corrupt." The fourth category of 60-80 points is identified as "clean." And finally, the fifth category of 80-100 is identified as "very clean."

Table 6 shows the results of the chi square  $X^2$  which examines whether the decision to apply the IFAC ethic code is influenced by the national corruption. The hypothesis of the research is "The national accounting organizations in highly corrupt countries would be less likely to adopt the IFAC ethic code than those in very clean countries".

**Table 6:  $X^2$  Test of the Relationship between the IFAC Code Application and CPI**

		IFAC		Total
		1	2	
CPI	1	2	2	4
	2	51	24	75
	3	28	16	44
	4	13	22	35
	5	12	5	17
Total		106	69	175

$$X^2 = 10,852$$

$$df = 4$$

$$p = 0,028$$

It is observed that there is a statistically significant ( $p=,002$ ) relationship between the usage of the IFAC Code by the national accounting organizations and corruption. Accordingly, the national accounting organizations in highly corrupt countries would be less likely to adopt the IFAC ethic code than those in very clean countries.

## CONCLUSION AND RECOMMENDATIONS

The number of national accounting organizations that apply the IFAC ethic code has shown an increase compared to the past years. The number of these organizations is detected to be 106; therefore it is observed that 60.6% of the organizations apply the IFAC code completely or with slight modifications. 69 of the national accounting organizations, on the other hand, do not apply the IFAC ethic code. The relevant organizations constitute a rate of 39.4% in the grand total. Increasing usage of the IFAC ethic code by different accounting organizations in the future is within the bounds of possibility.

The hypothesis, which is articulated as "The national accounting organizations in highly corrupt countries would be less likely to adopt the IFAC ethic code than those in very clean countries," is supported by the research results.

Rules, laws and similar regulatory structures in countries, where the corruption level is observed to be lower, gain further acceptance in societies. This has provided an opportunity for the creation of ethical rules in the occupational organizations of the countries and application of these ethical rules as necessary. As a result, we believe that the acceptance of regulatory mechanisms such as IFAC code and its becoming functional for

implementation will be way easier in countries that are distanced from corruption.

This study can comparatively be expanded to analyze the changes in the numbers of the organizations applying and not applying the IFAC code of ethics in the coming years and reveal the periodic differences between the current and future status.

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