Journal of Economics, Business, and Accountancy Ventura Vol. 18, No. 1, April 2015, pages 133 – 144

Does an ethic matter to predict misreporting behavior?

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A R T I C L E I N F O

Article history:
Received 21 February 2015
Revised 24 March 2015
Accepted 11 April 2015

JEL Classification:
M19

Key words:
Moral Reasoning,
Situational Factors,
Intention to Fraud Reporting,
Experimental Design.

DOI:
10.14414/jebav.v18i1.389

A B S T R A C T

This study was conducted to verify the assertions of various previous studies examining the relationship between individual moral reasoning and ethical behavior. Those studies conclude that individuals with good moral reasoning tend to behave better. However, they do not consider situational factors that can change this individual behavior. This study attempts to consider situational factors linked to the individual as antecedents of unethical behavior. Situational factors are taken into account for verifying whether an individual with high moral reasoning in a situation that supports unethical actions will be acting unethically. The data were taken by experimental methods 2 × 1 between the subjects where the manipulation is by positive and negative treatment given to see the effect against their intentions to do fraud. The level of moral reasoning is measured using a test instrument which defines the issue for categorizing the participants with high morale and low morale. Difference- t-test was performed to investigate the differences between the two groups experimental. It shows that situational factors are things that can affect a person's ethical or unethical act regardless of their moral reasoning abilities. The implication is that to minimize the unethical behavior of employees, the company can focus on situational factors rather than individual moral.

A B S T R A K

Penelitian ini memverifikasi pendapat berbagai penelitian terdahulu yang menguji keterkaitan antara penalaran moral individu dengan perilaku etisnya. Hasilmya menunjukkan bahwa individu dengan penalaran moral baik akan cenderung berperilaku baik. Namun, studi tersebut tidak mempertimbangkan faktor situasional yang dapat mengubah perilaku individu. Penelitian ini mempertimbangkan faktor situasional di sekitar individu sebagai anteseden dari perilaku tidak etis. Faktor situasional dipertimbangkan untuk melakukan verifikasi apakah individu dengan penalaran moral tinggi namun dalam situasi yang mendukung melakukan tindakan tidak etis akan menjadi bertindak tidak etis. Data diperoleh dengan metoda eksperimental 2 × 1 between subject di mana manipulasi berupa perlakuan positif dan perlakuan negatif diberikan untuk melihat efeknya terhadap niatan melakukan kecurangan. Tingkat penalaran moral diukur menggunakan instrumen defining issue test untuk mengkategorikan partisipan dengan moral tinggi dan moral rendah. Uji beda t-test untuk menguji perbedaan antara dua kelompok eksperimental. Hasilnya menunjukkan bahwa faktor situasional merupakan hal yang dapat mempengaruhi seseorang bertindak etis atau tidak etis tanpa mempedulikan kemampuan penalaran moralnya. Implikasinnya, bagi organisasi yang ingin meminimalisasi perilaku tidak etis karyawannya, dapat berfokus kepada faktor situasional dibandingkan moral individu.

1. INTRODUCTION

A study by Kaplan (2001) analyzed the ethical views of shareholders and those of non-shareholders of the earnings management behavior in the company. The study tested the ethical view on events that had occurred. The study did not identify a trigger for an event (antecedent). In contrast to research Liyanarachchi and Newdick (2009), this examines individual moral reasoning as antecedents in the tendency doing whistle blowing. Using a level of moral reasoning, the antecedents of ethical behavior are investigated by Abdol Mo-

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hammadi and Sultan (2002); Ponemon and College (1992). Both of these studies found that different levels of moral reasoning tend to produce different behaviors when faced with ethical dilemmas condition. Another research by Xu and Ziegenfuss (2008); Uddin and Gillett (2002) revealed that individuals who have high moral reasoning would tend to behave ethically and vice versa.

Some previous studies found that individuals in the condition attracting them to commit fraud also tend to commit fraud (Day, Hudson, Roffol, and Robert, 2011). Situational factors affect the behavior of individuals [Day et al. (2011); Mitchell (1997); McCabe, Trevino, and Butterfield (2001); and Michaels and Miethe (1989)]. Another two studies used situational factors such as the authority of superiors and social conditions separately, i.e. Mayhew and Murphy (2008), who investigated the effect of the social conditions on the tendency of individuals to commit fraud. As reported by Mayhew and Murphy (2014) that the effect of superior authority on committing reporting fraudulent behavior. Situational factors are known to have attracting role in influencing individual intention to do fraudulence. This study aims to test the proposition, expressing that "individual with high moral reasoning would tend to behave ethically". Besides that, it tests whether the proposition is still valid when the environment around individual support for unethical behavior. The positive or manipulation treatment is given to participants experiment. Positive manipulation is given when an individual is in the condition supported to act unethically. In contrast to the negative manipulation, it also manipulates individual not to do fraudulence. The problem underlying this study is due to many previous studies to identify the antecedents of unethical behavior in partial form of individual factors alone or situational factors alone.

Again, this study considers both factors to determine which is more powerful in predicting the behavior of the reporting fraud. The research question to be answered is "whether individuals who have high moral reasoning still behave ethically when the surrounding environment conducive to behave unethically. This study is important because of moral reasoning and it tests the proposition by considering environmental factors surrounding the individual.

The purpose of this study is to identify and quantify the role of situational factors in manipulation to measure the tendency of individual intention to do financial reporting fraudulence and also tests the strength of propositions in a state of moral reasoning with certain situational factors. It also indentifies the factors and predicts the more powerful individual intention to commit reporting fraud. Thus, an organization can focus on one or the other because it can prevent the emergence of individual intention to commit reporting fraud. This study contributes to two folds: (1) the identification of one of the stronger factor affecting the intentions of individuals towards reporting fraud. By doing this, it can contributes positively to the reduction behavior of individuals reporting fraud (2) Contribute to the review of the literature on the relationship between the individual moral behavior of being ethical to consider situational factors around him.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Fraudulent Financial Reporting

Fraudulent financial reporting is one of the categories of fraud based on the association of certified fraud examiners (ACFE). Some scenarios of individuals to perform fraudulent financial reporting by Singleton et al. (2006) are as follows:

(1) The time difference between the time of the transaction records of transactions and the recording time. This scenario is often found in transaction costs or withdrawal delays in recording sales transactions of the coming period. This can decrease or increase its profit.

(2) Factious transactions commonly occur in the case of actual sales transactions in which it does not actually occur, but the company notes and admit it.

(3) Hiding the company debt. The technique of fraudulent financial reporting is done by delaying the listing of corporate debt or to allocate transactions that give rise to a debt in the company to the sub company. The hiding debt companies can minimize the appearance of the cost for repayment of debt and can improve the appearance of the company balance sheet.

(4) Incomplete disclosure that is the main way people commit fraud reporting and accounting the most completely. The elements are often considered to have a substantial risk are the company cost and debt.

(5) Assessing the invalid assets that also become one of the techniques to increase the assets of the company. Noting the long-term fixed assets and inventories are both at risk of fraudulent financial reporting to the same extent.

Theory of Planned Behavior

Planned behavior model developed by the previous proponents Ajzen and Fishbein (1980) can be said

that a planned behavior is a response to the weaknesses revealed by various studies that use the action reasoning model conducted by Ajzen and Fishbein (1980) previously. Model reasoning of action is based on the assumption that an individual performs an action on a voluntary basis shows that the model is far from reality because the assumption is that it too important as it is not to be measured in the research model. For example, Davis, Dezoort, and Kopp (2006) found an individual to practice budgetary procrastination is not voluntary, but due to the pressure from his upper level.

Planned behavior model describes the behavior of a person's intention to behave is influenced by three factors such as firstly, the trust factor and internal evaluation of an action which is then labeled as attitude toward the behavior. Secondly, it is influenced by the neighborhood's social viewpoint in assessing an individual's behavior, consisting of normative beliefs and motivation to follow the behavior (motivation to comply). The third is an extension to answer the weakness factor assumptions in the model of action reasoning that is influenced by the perception of behavioral control (Perceived control behavior) which defines the individual's ability to exercise control over such behavior. This factor is shaped up by the ability of control over behavior (control behavior) and perception facilities owned by individuals over his behavior.

The behavior toward any behavior can affect an individual's intentions to perform that behavior. The more positive attitude is formed on a behavior, the higher the tendency of individual intention to perform that behavior. In addition, subjective norms established by colleagues, family and colleagues will affect the behavior of individuals with opinions about individual behavior which will be performed. The suggestion on this behavior can be either supported or prohibited by the environment toward individual behavior will be performed. The more positive the support of individual social environment, the more he is to lead to intention to do it.

The easier the behavioral control related to perceived ease of individuals to delay the prolong cost. The ease related to an individual's ability to control the factors can lead to failure of the positive perception behavior. Therefore, the easier the control over the behavior of individuals is due to the perception in executing its behavior. The more easily perceived behavioral control makes it higher because of procrastinating the cost is also easy to do.

Moral Reasoning

Kohlberg in 1955 defines and validates the longitudinal and cross-cultural levels of moral reasoning developed by Dewey and Piaget (Kohlberg 1975). Kohlberg (1955) classifies individual basic reasoning of an event whether it is considered ethical or unethical in three levels. The first level is preconvention in which at these stage individuals behave ethically because they don't want to be punished and to benefit themselves for such behavior. The second level is called the conventional, i.e. when individuals behave ethically because it is desired socially acceptable in the environment or an agreement that has established norms within a group. The third level is called post-conventional, i.e. when individuals behave ethically because it follows the principle of personal ethic and following the universally accepted principles.

The higher the individual understands the moral, the higher its level of morale. Individuals who have high moral understanding will tend to behave ethically as they may consider various alternative actions (ethical-unethical), because they are faced with situations that pose ethical dilemmas. Research by Liyanarachchi and Newdick (2009) tested the individual moral reasoning as antecedents and its influence in deciding whistle blowing. Abdolmohammadi and Sultan (2002) and the Ponemon and College (1992) found that different levels of moral reasoning would tend to produce different behavior when faced with conditions that give rise to ethical dilemmas. It is also like the study by Uddin and Gillett (2002) and Xu and Ziegenfuss (2008) who revealed that individuals who have high moral reasoning would tend to behave ethically and vice versa.

Moreover, McCabe et al. (2001) found that despite individual and situational factors can affect the behavior of cheating, but the situational factors have a stronger effect on the behavior of cheating. For example, Michaels and Miethe (1989) revealed that the situational factors affect the behavior of students for cheating in schools more than individual factors. In this case, Mitchell (1997) found that environmental factors more strongly affect individual behavior. Mitchell (1997) found that participants have individual factors such as integrity and high ethical awareness would not effectively affect the behavior of ethical decision when environmental support for unethical behavior. This shows situational factors can better predict the behavior of cheating than individual factors.

Thus, the hypothesis can be asserted as follows:
H1: Situational factors have better predictive ability compared to individual factors towards the intention to commit fraud reporting.

3. RESEARCH METHOD

Data Collection

The data were collected by the experimental method to determine the causal relationship between the constructs as prepared in the research model. Another advantage of the experiment is that it can maximize the treatment of the participants so that researchers have more confidence that the participants will have an understanding of what is desired by the researcher.

The cases were arranged very specifically related to the behavior of fraud in financial reporting. Positive and negative treatment was prepared by modifying and synthesizing measurements of such studies (Kit & Chang 1998), (Gillett & Uddin 2005), (Carpenter & Reimers 2005). The treatment was done on attitudes, subjective norms, and perceived control over behavior. Three constructs that make up the intentions of individuals treated in the form of trust is positive (negative), support (obstruction), perception of controlling the behavior of high (low) as follows:

(1) The attitude of the individual is given a treatment twice in the form of positive and negative attitudes that are formed by positive and negative beliefs. Positive belief is given by the positive impact of the behavior of the cost recording delay in the next period. Negative belief is given by a negative impact on the behavior of the cost recording delay.

(2) The individual's subjective norm is given two treatments in the form of subjective norm positive and supportive treatment delay of the costs. This is instead subjective norms that are blocking the negative cost delay treatment.

(3) The perception of control over the behavior of individuals is given two treatments that control the perception of high and low perception of control over the behavior of the delay in recording the cost accounting.

The sample was taken from the final level S1 (undergraduate) accounting department in Sudirman University, Purwokerto. This is due to the fact that this sample has not been too often used in experimental research participants. The reason of using the final year students is that it is expected that they are more mature in emotional development. In other words, it is expected to be closer to the emotional maturity of a financial accountant. The assumption in this study is individual rational and self-interest.

Operational Definition and Measurement of Variables

The dependent variable is the intention to behave. Intention to behave is individually measured with the question "Do you intend to postpone the recording of costs in 2011 to the year 2012?". Beside, the researchers used a Likert scale of 1 to 9 to measure the intention of fraud reporting by the individuals.

Independent variables consist of a level of moral reasoning and treatment of participants. The participants get positive and negative treatment for three aspects that can be affected by the intention to behave such as attitude, subjective norm and perceived behavioral control. The participants' level of moral reasoning is separately measured and it is not an experimental treatment in the study.

Attitude

Individual attitudes toward fraudulent financial reporting are established by the individuals' trust that they formed. Positive belief describes individuals in believing to delay the cost recording and this will have a positive impact on the company and the individuals themselves. Negative belief describes individuals for delaying the cost recording that will have a negative impact on the company and the individuals themselves. The attitude was manipulated by providing views on the positive and negative effects of cost recording delay.

Subjective Norm

Subjective norm towards fraudulent financial reporting is shaped by social circumstances of the individuals. Their colleagues and family describe the support or ban on an individual. The behaviors by peers and colleagues who support individuals to delay the cost recording can increase an individual's intention to delay that cost recording. Otherwise, the ban can reduce the intention to delay the cost recording.

Perception of Behavioral Control

Perception of behavioral control is shaped up by an individual's ability to control his behavior on the basis of external factors. The higher the perception of control over the behavior will increase the intention to delay the cost recording. The perception of control over the behavior of individuals can be measured by the extent of ease to delay the cost recording. Thus, the more people perceive the behavior of the cost recording delay that is easy to do and to control, the higher the individual's intentions to delay the cost recording.

The Level of Moral Reasoning

Rest (1999) developed instruments for defining

issues test (DIT) that is to measure the level of individual moral reasoning. The test of such validity is of the two types such as Defining Issues Test (DIT). DIT1 and DIT2 tested on 200 students at four different stages of education, namely: 1) Students in grade nine, 2) Participants who had just graduated from high school and only a few weeks becoming the students, 3) Students of final year and 4) postgraduate students or professional programs. DIT2 has two differences compared DIT1. The first difference, it is the fewer the number of cases in the form of: 1) "famine", 2) "reporter", 3) "school board", 4) "cancer", and 5) "demonstration". Second, DIT1 is measured using p-score while DIT2 using N2.

The results indicate that DIT2 has higher validity than DIT1. Although the results showed a more validity, the generalization of DIT2 instrument had to be verified because of the new tested against 200 students and being disproportionate when compared with DIT1 which has been used by hundreds of researchers with a total sample of approximately 500,000 participants. On the basis of this study using an instrument that has been validated by hundreds of researchers to measure the individual's moral development is DIT1.

This study uses three scenarios that is the short form of the DIT1. This is done with no expectation of reducing the concentration of the participants during the experiment. According to Rest (1986) the time required to complete the six scenarios is about 30-40 minutes, while the short form requires 20-30 minutes. Time is too long to worry about the task that reduces the level of concentration and seriousness of the students during the experiment. This is anticipated in this study to motivate participants with specific incentives to understand and work on DIT instrument carefully and precisely.

Three scenarios were developed by Rest (1986) that is the short form, namely: 1) Heinz and the Drugs, 2) the Escaped Prisoner, and 3) the Newspaper. Each scenario is followed by 12 participants' statement for consideration in making decisions on DIT. The instrument scenarios were developed by Rest (1986) and this can measure a person's proximity to the moral level of the third level (post-conventional). Thus, the closer to the third level indicates the higher level of moral reasoning.

The participant classification was measured using the DIT level of moral reasoning based on the p-score (post-conventional score). The short form has a correlation of 0.93 with the instrument that uses six scenarios DIT (Rest, 1986). It shows the form of short form has properties similar to the form of the six scenarios (Rest, 1986). The classification of participants to be included in the category of low level and high morale was done by using the median or middle value of the p-score set by Rest (1986) as a theoretical limit.

Table 1
The Design of Research Experiment

Treatments	Moral Reasoning
Positive manipulation	Cell 1
Negative manipulation	Cell 2

Experimental Procedure

By using design 2 × 1 between subject, the participants were given two treatments: (1) positive treatment and (2) the negative treatment. Participants were divided into two distinct classes, one class to get a positive treatment, the second class get negative treatment as shown in Table 1.

The series of experimental procedures are arranged so that participants get treatment as expected by the researchers. Experimental procedure begins with an explanation of the experimental procedure which should be done by the participants such as filling in the sheet of willingness to participate and the explanation about the length of time to the participants. The experiments were conducted in two sessions, the first stage; each participant got an envelope in which it has measurement of moral reasoning. The participants were asked to fill out and answer in accordance to the instructions provided in the instrument. Their reasoning was measured so that they can be classified in two experimental sessions.

The class was divided into two group to carry out the second session of the experiment. The second experiment was conducted to measure their intent to commit fraud reporting. They were given an envelope containing cases that have a positive attitude, subjective or negative norm, and positive perception of behavioral control over the behavior of fraudulent financial reporting. In the second class, they were given specific case providing a negative attitude, subjective norm, and perceived control of negative behavior. They should understand the questions asked in the envelope. Then, they were asked to fill out a question in the first envelope anytime when it was already read and understood.

Testing the Hypothesis

As this study uses a sample of the population hypothesis, the statistical testing needs to provide a level of confidence that can be accepted by the public. The hypothesis was tested using different t-tests

Table 2
Design of Answering the Hypothesis

Hypothesis Is Answered By The First Requirement:		
Situational Factors found to better predict the intention to commit reporting fraud if the following two conditions are met:	Intention to commit reporting fraud, cell 1 >2, and	the number of participants who intend to commit fraud (JKP) cell 1 > 2
Individual factors were found to be strongly to influence the intention to commit reporting fraud if the following two conditions are met	Intention to reporting fraud, the participant with high moral reasoning are lower than compared to those with low moral reasoning level (NKP_PM-higher < NKP_PM-low, and	The number of participants who intend to commit reporting fraud (JKP) at high PM fewer than the number of participants reporting fraud at low PM. (JKP_PM-height <JKP_PM low)
Hypothesis Is Answered By the Requirements:		
If both factors are met all or even not met at all, then the hypothesis is answered by comparing the predicted failure rate of situational factors and individual factors on the intention of committing reporting fraud by measuring error prediction on both factors in the following way		
Situational factors have more influence than individual factors when error prediction of JKP on individual factors (E_PRED_IND) is higher than error prediction JKP on situational factors (E_PRED_SIT)	Individual factors have more influence than situational factors when error prediction JKP on situational factors (E_PRED_SIT) is higher than error prediction JKP on individual factors (E_PRED_IND).	

Table 3
Design of Second Hypothesis Formula

	First Requirements	Alternative Condition
Situational factors are stronger than when	NKP cel 1> NKP cell 2 JKP cell 1> JKP cell 2	E_PRED_IND > E_PRED_SIT
Individual factors are stronger than the Situational factors when	NKP_HPM < NKP_LPM JKP_HPM < JKP_LPM	E_PRED_IND < E_PRED_SIT

to determine differences in the response of intention to perform fraudulent financial reporting given to the individuals. The hypothesis was tested by comparing the prediction of the error between the situational factors and individual factors. Individual factors are in the situation to support the fraud reporting in which they should intend to commit reporting fraud. For example, if discoverer's there is no one intent to commit reporting fraud, the error prediction is found, as well as individual factors or the other way around.

For moral reasoning, the individuals with high moral reasoning should not commit reporting fraud. When individuals are found with a high level of moral reasoning but reporting doing fraudulence, then it is identified as an error prediction of individual factors such as the level of moral reasoning. Then, the prediction error of both factors is done to find factors which are more dominant in affecting individual intention to commit reporting fraud. The design of answering the hypothesis can be shown in Table 2.

When Table 2 is formulated in mathematical analysis, it can be shown in Table 3.

4. DATA ANALYSIS AND DISCUSSION

The data with the method of the experiments conducted in the first two sessions. The first session was conducted to measure the participants' level of moral reasoning on the case given at the time of the second experiment. The second one was conducted to measure intent to commit reporting fraud by the participants. The first session and the second session were done in different times because the participants in the first session were identified to have high morale and they were mixed with the participants who had low morale in the classroom.

However, in the second experiment session, the class participants that have a high level of moral reasoning and the low one were simultaneously identified and analyzed with the same case. By mixing a class of participants who have two levels of moral reasoning levels, the results of measuring instruments of individual reporting fraudulent intention can be valid for participants who have different levels of reasoning got the same treatment. The same treatment was done to minimize potential disruptions arise and could threaten the validity of the research model. Having the same place and time when the second session was done is considered to reinforce that this research is free from the threat of maturity that could potentially arise in experimental research.

Table 4
The Total Number of Participants in Session 1

Location	Total
FEB UNSOED	63 Participants
FEB UNSOED	58 Participants
Total	121 Participants

Table 5
The Participants Who Passed the First Session

Registrars	Present at Session 1	Passed in Session 1	Confirming the Presence	Present in Session 2
143 Participants	121 Participants	78 Participants	70 Participants	64 Participants

Table 6
Allocation of Participant Session 2

Category Level of Moral Reasoning	August 28, 2014 (Positive Manipulation) Cell 1	August 29, 2014 (Manipulation Negative) Cell 2
Level of Low Moral Reasoning	17 participants	15 participants
Level of High Moral Reasoning	13 participants	19 participants
Total	30 Participants	34 Participants

Pilot Test

Before conducting the actual experiment, the experimental team of three people in the form of research and field, there were two people who conducted the pilot instrument experiment on July 11, 2014 at 15:00. This was done in two sessions. The first session was conducted to measure the level of moral reasoning of the participants. The second session was conducted to measure the intention of reporting fraud committed by the participants. This pilot test was performed to make the experimental team familiar with the duties and responsibilities and the evaluation of the experimental procedures as well as the instruments to be used.

Twenty-five students majoring in accounting at the end of the level followed the pilot tests. The results of the experimental test pilot are as follows: (1) participants with easy to understand manipulation given in the experiment, (2) the experimental team understand and appreciate the experimental procedure to be performed as well as the duties and responsibilities that must be done.

Sample of the Research

The experiments were carried out for 4 days, the first session of experiment was conducted on July 16 and 17, 2014. The second session was carried out on August 28 and 29 2014. The students who were interested to register as an experiment participants registered their names via text message directly to a number of researchers. The total students who signed up to the July 13, 2014 (registration deadline) are 143 participants. All the participants were contacted by text message to attend the first session of the experiment at the same time. It was done to reduce the threat of potential maturity in experimental research method. The experiment was conducted in the first session in the morning to minimize the threat of maturity, in which they were given a chance with two options, namely the time on July 18, 2014 and July 19, 2014.

The total number of participants following the first session is 121 participants from a total of 143 participants in total registrants (see Table 4). The first session was held for 45 minutes divided into such as 10 minutes of initial explanation, 30 minutes doing Instruments of DIT, and 5 minutes for closing. The participants who followed the first session could follow the second session when working on its first session with the DIT that is consistently reliable. The participants were categorized working consistently (reliable) in accordance with the categories developed by Rest (1986).

In the above case, Rest (1986) developed a DIT instrument along with the reliability test participants that include: (1) the participant who did not choose a measurement scale that was not more than 8 statements, (2) the participants who did not choose the distractive statements of more than 4 points, and (3) The participants who were consistently doing the rating statements in accordance with the scale selected in the twelfth statement were given in each case.

The participants who met the third requirement could follow the experiment. The second session was conducted for participants who were qualified in all three data and could be used in this study. On the contrary, the participants who were not qualified at all three data could not be used in this study. The total number of participants who

Table 7
Design of Research Experiment

	Positive Manipulation Cell 1	Negative Manipulation Cell 2
Total	30 Participants	34 Participants

Table 8
Summary of Hypothesis Analysis

	Average NKP		T-test of Difference T Sample of Independent
	HM	LM	
Actual Data (F. Individual)	3.69	4.00	t-computed: 0.45 t-table: 1.99
Theoretical Logic	Average of NKP HM < LM		t-computed > t-table (significant)
	Fulfilled		Not Fulfilled
	Cell 1 (positive manipulation)	Cell 2 (negative manipulation)	
Actual Data (F. Situational)	6.533	1.4706	t-computed: 24.57 t-table: 1.99
Theoretical Logic	Average NKP Cell 1> Cell 2		t-computed > t-table (significant)
	Fulfilled		Fulfilled

followed the first session was 121 participants, while those who passed in the first session were 78 participants. The participants who passed the first session were notified via short message for the second session experiment. They were asked to confirm the ability of their presence in the second session by responding to the announcement in a brief message that was sent. The total participants who confirmed their presence for the second session were 70 participants, but those who were present at the second session for 83 participants. The process can be seen in Table 5.

All the participants who confirmed the presence were allocated into two classes, each of which was different from the second. The treatment session was carried out on August 28 and 29, 2014. The allocation was implemented in the hope of at least one cell is composed of participants who have a high level of moral reasoning and low morale one. The allocation of participants in the two cells is described in detail in Table 6.

The experiment design was done on this evaluation is as follows: 2 × 1 between subject with the details as in Table 7.

Hypothesis Testing

The test of error prediction for the individual factors was done by comparing the theoretical logic of actual moral reasoning. The data were divided into two categories: high level of moral reasoning and low level one. The theoretical logic predicts that an individual with higher levels of moral reasoning has no intention to commit reporting fraud or it is lower than individuals with lower levels of moral reasoning.

The test the predictive ability of individual factors using the value of intent to commit it (symbolized by NKP) with two phases: 1) compare the average NKP of the individuals with a high level of moral reasoning with average NKP individuals of the low levels of moral reasoning, and 2) test the significance of differences of the NKP in individuals with a low moral level and the individual with high moral level. The summary of such data can be shown in Table 8.

Table 8 shows that participants who have demonstrated high levels of moral reasoning also have intention to reporting fraud of 3.69, while participants with lower levels of moral reasoning of 4.00. Thus, the participants with lower levels of moral reasoning have higher intention of reporting fraud compared to those with higher levels of moral reasoning. Such condition has fulfilled the requirement for supporting that individual factors can predict the intention of reporting fraud. The second condition is said to predict the intention of individual factors for fraud reporting. Thus, the intention of committing reporting fraud by the low moral reasoning shows significantly higher than those with high moral ones. After having the difference test, the equal variance of t-test indicates that both scores are not significantly different. It is an impact of the individual factors that cannot predict the intentions of individuals reporting fraud.

In verifying the ability of situational factors in predicting intention to commit reporting fraud, it

was done in two stages. First, it was done by comparing the average score reporting fraudulent intent between Cell 1 and Cell 2. Second, it was done by testing the difference of t-test on the two independent groups.

Table 8 shows that the situational factors meet both these requirements. First, the cell has no intention of committing reporting fraud with higher score than the second cell. The score is calculated using the average of the two groups reporting the fraud participated in the experiment. Second, it is the difference in scores between the reporting frauds of the cells with two cells differs significantly. It is proved by using different test statistics of independent sample t-test with equal variance. The analysis shows the result of the t-test is higher than the t-table. Therefore, it shows that the difference between the two groups of participants is proved significantly.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

As this study aiming to verify the proposition in various research ethics and previous behavior, the generalization can be asserted that individuals with high moral reasoning tend to behave ethically or the other way around. In addition, this study also considers the situational factors together with individual factors in the effort of the verification.

It has proved that when people are in a situation that is conducive to commit unethical acts, such as because of the support of colleagues, family, and they have the tendency to act unethically. Furthermore, with any moral reasoning ability, individuals act unethically. It is also contrary when the individuals are in the same situation, which they all do not support unethical actions. Whatever the moral condition of a person, they will not commit unethical acts.

It can also be concluded the previous finding by Rafinda (2013) in the form of an indication of situational factors that dominate individual ethical decisions rather than individual factors. Situational factors show these factors dominate the individual ethical decisions rather than the moral reasoning ability.

The findings in this study can contribute to the organizations that want to reduce unethical behavior of employees. It is done by focusing on situational factors. The situational factors in the form of external factors can affect individuals to behave either ethically or unethically. Therefore, the organization should control the employees by focusing on environmental factors such as increasing an ethical climate, fairness, and honesty. All these can help reduce unethical behavior in the organization.

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APPENDICES

INSTRUMENTS OF THE EXPERIMENTS

Positive Treatment

As the head of the retail business unit of car spare parts, you get a salary of Rp 35 million per month; your performance is assessed on the basis of financial performance by setting profit targets to be achieved in the accounting period.

In December 2011, you've got a business unit profit target of 70% of the parent company amounted to Rp 100.000.000.000, the remaining profit of Rp 30.000.000.000 in which it is impossible for you to get it within a month if only sell car spare parts. However, you know there are big enough transaction costs in December. If the transaction is delayed in recording until January 2012, you will get profit targets in 2011.

Your top management of the holding company measures the performance of the business unit using the profit to support the parent company to achieve profit targets so as to increase shareholder wealth. The parent company that wants to expand is in need of fresh funds from lenders to launch investment so that creditors' trust is also preferred by the company in 2011.

Top managements who are in need of fresh funds for investment will not be too concerned, if you do the "adjustment" for profit to almost reach the target this year to help the parent get credit. If your business units achieve profit targets, all employees in your business unit will get a bonus of 6 times of salary at the end of the year. Hearing such information, your colleagues and staff at the business unit you support your decision to make adjustments to the cost of this year.

The shareholders of the company will not press your actions because they will also benefit by increasing the company's share price due to the increase of the profit. Your family will support whatever decision you take in the company. As the head of the business unit, such action is not difficult for you to order the recording department for helping to achieve the target by postponing the recording that cost. All authorities can be done by you without the intervention of anyone in your business unit.

Negative Treatment

As the head of the retail business unit of spare parts, you get a salary of Rp 35 million per month; you are assessed on the basis of the financial performance by setting profit targets to be achieved in one accounting period. In December 2011, the business unit got a profit of 70% of the parent company's target of Rp 100.000.000.000, the remaining profit of Rp 30.000.000.000 which is not possible for you to get within a month if only selling car spare parts. But, you know there are transaction costs in December which are big enough.

If the cost transaction recording is delayed until January 2012, the business unit you will achieve profit targets in 2011. The corporate culture that promotes fairness teaches you to record what really happened and what really happened to be recorded. If you do a recording delay, it will endanger the various stakeholders of the company such as creditors, investors, and users of financial statements.

Your company is very hard to follow up if a discrepancy is found in the financial statements with the exact transaction. When the delay in recording in the future periods is currently being audited, it can threaten the reputation of the company and you. With a corporate culture as it makes colleagues and business unit staff, it appears very sensitive to a variety of fraud that exists in your company.

Refusing such fraud and promoting fairness to achieve the company's long-term performance is preferred by colleagues around you. It also occurs in your family that promotes the value of -value integrity. While you as the head of the business unit, you will have trouble carrying out your desire to delay the cost recording due to the sensitivity of your environment, especially when there is fraud. Thus, it would be very difficult for you to order the accounting department to do the things you want.