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Evaluating Earnings Management Through Kantian Deontological Ethics: A Moral Perspective on Financial Reporting Integrity

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ABSTRACT

This study examines earnings management practices from the perspective of Immanuel Kant's moral philosophy. While earnings management has been widely studied in the accounting literature, most research focuses on economic incentives and financial consequences rather than ethical evaluations. This study addresses this gap by applying Kantian deontological ethics to evaluate the moral legitimacy of earnings management practices. The study employs a qualitative approach using a systematic literature review of Immanuel Kant's philosophical works and relevant literature on accounting ethics and earnings management. Relevant literature was identified through academic databases, including Scopus, Google Scholar, and ScienceDirect, using keywords related to earnings management, business ethics, and Kantian philosophy. The findings indicate that earnings management often exists in ethically ambiguous areas due to managerial incentives, pressure to achieve performance targets, and flexibility in accounting standards. From a Kantian perspective, earnings management practices that intentionally manipulate financial information violate moral duty and the principle of treating individuals as ends rather than mere means. Such practices fail to satisfy the categorical imperative because they cannot be universally applied without undermining the credibility of financial reporting systems. This study contributes to the accounting ethics literature by integrating Kant's deontological moral theory as a normative framework for evaluating earnings management practices. The findings highlight the importance of ethical awareness in financial reporting and encourage companies and regulators to develop financial reporting policies grounded not only in technical compliance but also in moral responsibility

ABSTRAK

*Penelitian ini bertujuan untuk menganalisis praktik **manajemen laba** dari perspektif filsafat moral **Immanuel Kant**. Meskipun manajemen laba telah banyak dibahas dalam literatur akuntansi, sebagian besar penelitian lebih menitikberatkan pada insentif ekonomi dan konsekuensi keuangan dibandingkan pada evaluasi etis dari praktik tersebut. Oleh karena itu, penelitian ini berupaya mengisi kesenjangan tersebut dengan menerapkan **etika deontologis Kantian** sebagai kerangka normatif untuk menilai legitimasi moral praktik manajemen laba. Penelitian ini menggunakan pendekatan **kualitatif** dengan metode **systematic literature review** terhadap karya-karya utama Immanuel Kant serta literatur yang relevan mengenai etika akuntansi dan manajemen laba. Literatur yang dianalisis diidentifikasi melalui basis data akademik seperti **Scopus, Google Scholar, dan ScienceDirect** dengan menggunakan kata kunci yang berkaitan dengan manajemen laba, etika bisnis, dan filsafat Kantian.*
*Hasil penelitian menunjukkan bahwa praktik manajemen laba sering berada dalam **area abu-abu secara etis**, yang dipengaruhi oleh insentif manajerial, tekanan untuk mencapai target kinerja, serta fleksibilitas dalam standar akuntansi. Dalam perspektif Kantian, praktik manajemen laba yang secara sengaja memanipulasi informasi keuangan melanggar **prinsip kewajiban moral** serta prinsip memperlakukan manusia sebagai tujuan, bukan sekadar alat. Praktik tersebut juga tidak memenuhi prinsip **imperatif kategoris**, karena tidak dapat diterapkan secara universal tanpa merusak kredibilitas sistem pelaporan keuangan.*

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INTRODUCTION

Earnings management continues to be a subject of continuous scrutiny, particularly from the perspective of earnings management ethics, despite various approaches to exploring and conceptualizing such ethics (Elias, 2002; Fischer and Rosenzweig, 1995; Kaplan, 2001). Overall, existing research suggests that involvement in earnings management practices is unethical and hazardous and has negative consequences for companies. Managers can offer diverse perspectives based on their adherence to certain principles. In Indonesia, there have been several cases of earnings management, including fraudulent financial reporting by companies such as PT KAI, Kimia Farma, Bank Lippo, PT Hanson International, and PT Garuda Indonesia. According to a survey conducted by the Association of Certified Fraud Examiners (ACFE) in the 2018 Report to The Nations, approximately 10% of the examined financial reports experienced fraud. In Indonesia, the ACFE (2019) identified 239 fraud cases, including 16 related to fraudulent financial reporting. Scandals related to the manipulation of financial statements and the practice of earnings management, often highlighted in the media, raise a fundamental question: Does low moral awareness result in the violation of business ethics? From an ethical perspective, are managers' actions to practice earnings management acceptable or morally correct?

In this context, it is crucial to explore the concept of earnings management ethics through the lens of Immanuel Kant's moral philosophy, which provides a distinct and profound perspective on human action. Kant, a renowned philosopher acclaimed for his business ethics (Altman, 2007), authored "Groundwork of the Metaphysics of Morals" in 1785. This foundational work in moral metaphysics is widely read and considered a fundamental ethical piece by one of the most significant and influential philosophers (Kant, 2005). Kant's concepts of autonomy, morality as a categorical imperative, and the dignity of rational beings are all encapsulated in this groundwork, profoundly influencing moral and political philosophy from his time to the present (Kant, 2005). However, Kant's work is relevant and apt to make a significant contribution to our understanding of earnings management ethics. First, Kant's relevance in the context of earnings management ethics can be found in the categorical imperative (Altman, 2007; Tapek, 2016). Kant emphasized that moral actions should be universally applicable. By applying this principle, managers are confronted with the question of whether their selected actions can be considered moral principles that apply to everyone in similar situations. Second, Kant's concept stems from the idea of "goodwill" (Tapek, 2016)**.** Managers must consider whether their actions align with absolute moral principles, irrespective of the consequences or ultimate outcomes. By understanding Kant's perspective on ethics, we can explore how managers make decisions that not only consider the demands of moral obligations but also reflect goodwill and intention.

Corporate managers are responsible for a firm's financial outcomes and therefore strive to enhance business profitability. Accounting standard setters define the extent to which managerial judgment is allowed in the financial reporting process. (Yung and Root, 2019). Management is obligated to adhere to applicable financial accounting standards when preparing financial statements. Accounting standards for investors serve as a reliable methodology for translating expected economic conditions into a company's financial performance (De Franco, Kothari, & Verdi, 2011). Nevertheless, corporate management has the authority to assess a company's economic activities, which leads to disparities between applicable standards and actual practices within the company. This mismatch often compels management to adjust financial statements to present profits in line with the preferences of various stakeholders (Tapek, 2016). This can have adverse consequences, as it misguides users of financial information and may lead to legal violations (Merchant and Rockness, 1994).

Several managers and decision-makers consider their actions reasonable and ethical as long as they do not violate accounting principles to gain rewards from the company (Fischer & Rosenzweig, 1995). Earnings management involves the selective use of accounting policies to achieve specific goals (Scott, 2000). Several studies have examined managers' motivations for earnings management practices, including interventions in financial statements through the choice of accounting policies and discretionary accruals allowed during the external financial reporting process. These motivations are often linked to efforts to achieve managers' personal goals; however, such actions can harm the credibility of financial statements by jeopardizing the accuracy and integrity of the conveyed information (Schipper, 1989; Neill *et al.*, 1995; Han and Wang, 1998; Bergstresser & Philippon, 2006).

Earnings management practices occur when managers leverage their judgments in the financial reporting process and manipulate transactions to manipulate financial statements. Managers may engage in earnings management through

mechanisms that are either efficient or opportunistic (Kuang, 2021). Efficient earnings management can enhance firm performance by stabilizing financial conditions and reflecting the firm's fundamental value through improved information quality and more effective private communication between managers and investors. In this context, managerial decisions are often influenced by managerial discretion and access to private information (Tulcanaza-Prieto & Lee, 2022).

However, managerial discretion may encourage opportunistic behavior. Managers may exploit the flexibility provided by accounting standards to present earnings more favorably. Such actions are commonly referred to as opportunistic earnings management, as managers manipulate reported earnings to serve their personal interests (Darmawan & Umaimah, 2025)

In practice, internal managers may manipulate financial statements by overstating current-period earnings, artificially inflating revenues and gains or reducing reported expenses. These practices allow firms to present stronger financial performance in order to meet market expectations and maintain investor confidence (Tulcanaza-Prieto & Lee, 2022)

Therefore, ethical considerations in financial reporting have become increasingly important for ensuring transparency and maintaining stakeholder trust in financial information. Ethical decision-making involves ethical reasoning, which includes elaborating on moral awareness and capabilities. This is ultimately manifested in the process of action as a form of implementing decisions that have been made. A high level of morality in management is expected to reduce the incidence of unethical behavior, including accounting fraud by corporate management.

Financial reporting integrity is a fundamental element of corporate accountability and market efficiency. However, managerial discretion in accounting standards provides opportunities for earnings management practices, which may distort financial information and mislead stakeholders. While prior research has extensively examined the economic motivations and governance mechanisms behind earnings management, relatively little attention has been paid to the ethical evaluation of such practices.

Most existing studies analyze earnings management through behavioral or economic perspectives, focusing on incentives, regulatory environments, and financial outcomes. However, these approaches rarely examine earnings management through normative philosophical frameworks that evaluate whether such actions are morally justified. In particular, the application of Immanuel Kant's deontological moral philosophy in accounting research remains limited. Kantian ethics emphasizes moral duty, goodwill, and the categorical imperative as universal moral principles that guide human actions. Therefore, this study aims to examine earnings management practices from a Kantian ethical perspective in order to provide a normative framework for evaluating managerial decisions in financial reporting

This study aims to assess the moral reasoning of individuals involved in financial decision-making. Previous research has not focused on the relationship between earnings management and Immanuel Kant's moral perspective. Immanuel Kant was a philosopher who developed a comprehensive theory of moral philosophy. Kant's moral philosophy can also serve as a reference and conceptual foundation for examining ethical codes within professional practices (Risepdo & Sudaryati, 2023).

However, earlier studies have explored corporate social responsibility from Kant's moral perspective (Bustos, 2008; Tapek, 2016), governance, and Kantian philosophy by McNutt and McNutt (2010). Only one study, Belgasem-Hussain and Hussaien (2020), provided conceptual insights into the ethics of earnings management and proposed a relationship between managers' ethics regarding earnings management and Kohlberg's moral reasoning framework, which associates earnings management ethics with morality but uses Kohlberg's moral perspective rather than Kant's.

Earnings management practices may pose the most significant ethical challenges for the accounting profession; however, there is limited research exploring this topic associated with assessing the prevailing morality of earnings management practices. This study introduces earnings management ethics based on Kant's moral theory. This study defines earnings management from an ethical perspective, explores managers' roles in earnings management, and discusses Kant's theory of reasoning and its contribution to the understanding of earnings management ethics.

LITERATURE REVIEW & CONCEPTUAL FRAMEWORK

Accounting standards provide flexibility for corporate management in selecting certain accounting methods that may allow the occurrence of earnings management practices. However, these practices are often perceived as ethically questionable because they may obscure information that should be transparently communicated to users

of financial statements. Nevertheless, such practices generally do not violate existing accounting standards and are relatively difficult to eliminate because they fall entirely within the managerial discretion of the company's management (Arjuna & Bernawati, 2020). Philosophy emerges from the high level of human curiosity about various phenomena, which often leads individuals to question and doubt existing explanations. The nature of philosophy encourages the continuous development of knowledge, as researchers do not simply accept established theories but instead re-examine them, particularly when anomalies arise within existing scientific knowledge (Chairunnisa & Khomsiyah, 2022). Furthermore, philosophy serves as an appropriate medium for cultivating critical thinking and reflecting on the values of life (Gunawan et al., 2022). Philosophy also plays an important role in providing guidance on moral and ethical principles in human life and can serve as a source of inspiration and a framework for ethical behavior.

This study develops a conceptual framework linking earnings management practices to Kantian ethical principles. According to Kant's moral philosophy, the ethical value of an action depends on the intention behind the action and its conformity to the universal moral law. In this framework, earnings management practices are evaluated using three core Kantian principles: goodwill, moral duty, and categorical imperatives.

The principle of goodwill emphasizes that managerial decisions should be guided by moral duty rather than self-interest. The categorical imperative requires that the principles guiding managerial actions be universally applicable without contradiction. Furthermore, the principle of humanity as an end requires managers to respect stakeholders as autonomous individuals rather than merely as instruments to achieve organizational objectives.

Through this framework, earnings management practices are analyzed to determine whether they align with universal ethical principles and respect the moral rights of financial statement users.

RESEARCH METHOD

This study employs a qualitative research approach using a systematic literature review (SLR). The purpose of this approach is to synthesize existing literature on earnings management and business ethics and evaluate it through the lens of Kantian moral philosophy.

A literature search was conducted using several academic databases, including Scopus, Google Scholar, and ScienceDirect. The keywords used in the search process were "earnings management," "accounting ethics," "business ethics," "Kantian ethics," and "categorical imperative."

The literature selection followed several inclusion criteria as follows. First, the sources had to be peer-reviewed journal articles or academic books. Second, the publications needed to discuss earnings management, accounting ethics or Kantian philosophy. Third, the selected studies were published between 1990 and 2024 to ensure the inclusion of foundational and recent literature.

The analysis was conducted using content analysis and conceptual philosophical analysis. Content analysis was used to identify key themes related to earnings management practices, and conceptual analysis was applied to interpret these themes through Kant's moral philosophy.

Research Approach

The approach used is a normative ethical approach, specifically Kant's deontology, which emphasizes moral duty, goodwill, and the principle of the categorical imperative in assessing human actions. With this approach, earnings management practices are evaluated not based on their consequences but rather on the motives, intentions, and universality of the principles of action.

Data Collection Techniques

Data collection techniques were conducted through systematic literature review and reading. This process includes:

1. Identifying relevant articles, books, and scientific publications;
2. Classification of literature based on theme (earning management, business ethics, and Kant's moral philosophy).
3. An in-depth examination of the arguments, concepts, and main findings of each source.

Data Analysis Techniques

Data analysis was conducted using content and conceptual-philosophical analysis, with the following stages:

1. Data reduction

Filtering the literature to obtain core concepts related to the definition of earning management, ethical dilemmas, and Kant's moral principles

2. Categorisation and interpretation

Grouping the literature on earning management views from different ethical perspectives and interpreting them using the following concepts:

a. Good will
b. Duty
c. Categorical imperative

d. Universal moral law

3. Normative analysis

Evaluating earning management practices by testing whether the actions (1) can be made into universal laws without logical contradictions. (2) Respect humans as ends, not merely as means. (3) It is based on moral duty, not instrumental interests.

4. Conceptual synthesis

Integrating literature findings and Kantian analysis to construct a coherent and systematic framework for understanding the ethics of earnings management

DATA ANALYSIS AND DISCUSSION

Earnings Management

Managers are responsible for the effectiveness and efficiency of the reports presented by an organization (Bell, 2007). The traditional role of accounting encompasses governance, in which an individual or group of people is responsible for safeguarding an entity's assets and monitoring its operations (Belgasem-Hussain and Hussaien, 2020). The attention of users of annual reports on accounting information providers is whether the published annual reports are accurate, reflecting the end results of transactions that actually occurred during the relevant financial year (Bell, 2007). Published annual reports may have been manipulated by management for specific purposes (Mintz and Morris, 2008). Accounting information providers may seek to generate favorable accounting results for their own interests (Belgasem-Hussain and Hussaien, 2020).

Executives manage companies and focus on personal gains rather than the interests of shareholders (Bainbridge and Johnson, 2003). In the context of preparing and disclosing information, managers can take actions that benefit them by manipulating the company's operations or reported results. Given the opportunities provided by the preparation and disclosure processes, managers may act in their own interests by manipulating the company's operations or simply reporting results (Belgasem-Hussain and Hussaien, 2020). Several factors drive individuals and companies to engage in earnings management. Previous research has identified various motivations for companies to engage in earnings management, such as equity offerings (Teoh et al., 1998) that meet analysts' forecasts (Kasznik, 1999). It increases the market value, attracts investors (Kellogg and Kellogg, 1991), maximizes management welfare (DeAngelo, 1986; Healy and Wahlen, 1999), and enhances managerial compensation (Dye, 1988)

The financial literature provides several definitions of earnings management. Earnings management is the practice in which managers use their judgment in the preparation of financial statements and structuring of transactions to alter financial reports with the intention of impacting the company's basic economics or influencing contract outcomes that rely on reported accounting figures (Healy and Wahlen, 1999). Earnings management is in line with generally accepted accounting principles (GAAP). However, identifying earnings management based on GAAP characteristics is challenging. Earnings management is inconsistent with GAAP (Nelson *et al*., 2003). Earnings management is a manager's action aimed at increasing (or decreasing) the reported profit of the unit under the manager's responsibility without generating an increase (or decrease) in the long-term economic profitability of that unit (Fischer and Rosenzweig, 1995). Interestingly, aggressive earnings management occurs when a company sells products aggressively through a credit system. These sales are immediately recorded as revenue, whereas loans related to sales are considered investments (Welch, 2009, p. 474). Earnings management is a deliberate act in the external financial statement preparation process carried out with the intention of gaining personal benefits (Schipper, 1989). Meanwhile (Dechow and Skinner, 2000) argued that clearly planned fraudulent actions to deceive others should be distinguished from decisions made to determine income, including accounting estimates, which can be considered more active actions. Emphasize disclosure actions to stakeholders with preplanned management intentions and deliberately manipulate recorded profits through accounting tools (Healy and Wahlen, 1999).

Earnings Management Ethics: Perspectives from Literature

A thin line separates earnings management from management fraud. However, reducing earnings management behavior is not a generally accepted goal of the accounting profession (Elias, 2002). Some perspectives state that shareholders currently have positive intentions toward earnings management practices aimed at maximizing stock value, even if they harm shareholders in the future (Anggraini & Lestari, 2023; Saelandri et al., 2023). This creates incentives for managers to engage in earnings management (Dye, 1988). The importance of financial statements for companies requires that the information contained within them be presented accurately and reliably to reflect the firm's economic condition and performance during a particular

period. When users obtain accurate accounting information, the economic decisions they make are more likely to be appropriate and free from errors (Cahyani et al., 2024). However, in practice, financial statements are often influenced by managerial discretion in the financial reporting process. According to Schipper (1989), earnings management practices are an integral part of financial reporting systems and do not diminish the usefulness of accounting profits. If managerial contracts are made to avoid everything that managers can manipulate, the informative signals available in these contracts will be minimized. Conversely, Dobso (1999) states that an increased emphasis on business ethics can lead to confusion, prompting a reconsideration of the company's primary goal of maximizing shareholder wealth. Earnings management practices do not always have negative connotations; instead, they are a necessary and reasonable outcome of flexible financial reporting options(Parfet, 2000).

If managers are obligated to maximize shareholder value, they must choose among all legal options that support the achievement of this goal. "Good" earnings management occurs when managers create stable financial performance through acceptable and voluntary business decisions. However, "bad" earnings management occurs when managers make artificial accounting entries or extend estimates beyond reasonable limits (Parfet, 2000). Earnings management actions can be classified into two types: those involving changes in accounting methods and those involving operational decisions. An example of a change in accounting method is adjusting reserve amounts, thereby altering reported net income. Offering specific terms to customers at the end of a year to advance sales from the following year is an example of earnings management through operational decisions. Some managers may view these practices as legitimate managerial tools for fulfilling their responsibility to maximize shareholder profits. However, others view earnings management as involving distortions that mislead financial statement users (Fischer and Rosenzweig, 1995)

Business ethics has the potential to transform societal awareness of business by providing a new perspective in which businesses cannot separate from ethical values (Hafni, 2012). Managers can use their business knowledge and existing potential to choose reporting methods and estimates that reflect the company's situation, thus enhancing the role and value of accounting as a communication tool (Belgasem-Hussain and Hussaien, 2020). In reality, different views on earnings management practices create ethical dilemmas. Earnings management is an ethical and rational action that exploits flexibility in financial reporting provisions (Inggarwati and Kaudin, 2010). The manipulation of operational decisions is related to actions that affect cash flow and company profits in a specific period, such as delaying budgeted expenditures from one year to the next to boost profits. Accounting manipulation involves leveraging flexibility in selecting accounting methods, such as changes in depreciation methods or significant modifications to reserves, to manipulate profit figures (Bruns and Merchant, 1990). Ethical considerations in financial reporting are increasingly recognized as essential for maintaining stakeholder trust and ensuring transparency in corporate reporting practices. Consistent with (Cahyani et al., 2024)), the application of ethical principles in accounting remains a fundamental and persistent issue in professional practice. Ethical accounting practices promote transparent and reliable financial statements, which provide valuable information for stakeholders and serve as an important guideline for responsible financial reporting.

Limitations of Literature in the Earnings Management Ethics Approach

From a Kantian ethical perspective, earnings management practices that intentionally manipulate financial information for personal or organizational benefit violate the principle of moral duty. Kant argued that moral actions must be guided by universal moral laws rather than instrumental interests. If earnings management practices were universally adopted by all firms to manipulate financial reports, the credibility of financial reporting systems would be fundamentally undermined.

Furthermore, manipulating financial information treats stakeholders as mere instruments to achieve managerial objectives rather than as autonomous individuals entitled to truthful information. According to Kant’s principle of humanity as an end, such actions cannot be morally justified and should be avoided. Therefore, earnings management practices that intentionally mislead stakeholders are inconsistent with Kant’s moral philosophy.

There are differing perceptions of earnings management ethics, as exemplified by (Fischer and Rosenzweig, 1995). Their findings emphasize that an individual's role within an organization can significantly affect their ethical judgment of earnings management practices. Their findings emphasize that an individual's role within an organization can significantly affect their ethical judgment of earnings management practices. Hence, it is crucial to consider an ethical perspective when evaluating accounting policies and practices, as well as

understanding how an individual's role can influence their ethical views in the context of earnings management (Parfet, 2000). This finding reinforces the idea that an individual's role within an organization can significantly impact their ethical judgment of earnings management practices. Therefore, it is important to consider an ethical perspective when evaluating accounting policies and practices and to understand how an individual's role can influence their views on ethics in the context of earnings management.

Immanuel Kant's Theory of Moral Thought

Morality originates from within human beings, arising from a sense of obligation to act, which gives rise to goodwill that appears to command but does not compel. In Kant's ethical system, which belongs to the tradition of deontological ethics, moral principles are expressed through two forms of imperatives: the hypothetical imperative, which is conditional, and the categorical imperative, which is unconditional (Yanti et al., 2025). The categorical imperative represents a moral command that must be followed without depending on particular conditions. One key element of Kantian ethics is the idea that the moral value of an action depends entirely on the agent's motivation. Human behavior cannot be deemed good or bad by considering its consequences but only by examining what drives the agent to act in a certain way (De Colle and Werhane, 2008). However, what are the motives that guide human actions? According to (De Colle and Werhane, 2008), Kant introduced the key concept of duty to explain the foundation of his moral theory by analyzing three different types of motivations: (1) Duty-driven actions: These are actions performed purely out of duty, meaning they are performed because the agent considers them the right thing to do. There is no consideration of the consequential goals of the action; rather, it only considers whether the action respects universal moral law. (2) Actions based on direct inclination: Everyone has certain inclinations, such as preserving life or maintaining honor. These actions are duties that hold value for Kant. (3) Actions motivated by other inclinations: This third type of motivation includes actions that can be performed in accordance with duty but are not performed out of duty. Instead, they are performed as a means of reaching the other end.

According to Kant, reason provides the power for moral intent and causes actions to align with moral laws. Kant (1724-1804) believed that the only feature that gives moral value to an action is not the outcome achieved by the action, but the motive behind the action, acting in accordance with a maxim at the same time that it can become a universal law (Duran & McNutt, 2010; Reynolds & Bowie, 2004). The essence of morality can be found in reason; through the process of rational deduction, one can discover the foundations of right and wrong. According to Kant, the first thing proclaimed by reason was that an individual's duties must be performed because of the duty itself (Duran & McNutt, 2010). In the Critique of Practical Reason, Kant wrote: "Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never merely as a means to an end, but always at the same time as an end." Humanity is not an object that we possess solely for our own purpose (Borowski, 1998). This is in line with the statement by (Reynolds & Bowie, 2004). Kant's moral philosophy emphasizes that the morality of an action should be based on moral duty and universal principles, known as the categorical imperative. From this perspective, an action is considered ethical when it is performed with good intentions and not merely to achieve personal interests (Risepdo & Sudaryati, 2023). This concept can be applied to evaluate earnings management practices, as the manipulation of financial information for specific purposes may violate Kant's moral principle that individuals should treat others as ends in themselves rather than merely as means. Therefore, earnings management practices intended to mislead stakeholders are inconsistent with Kantian ethical principles, which emphasize honesty, objectivity, and moral responsibility in decision-making.

Contribution of Immanuel Kant's Theory in Deepening the Understanding of Earnings Management Ethics

Involving Kant's theory in the practice and concept of earnings management can provide useful insights into managers' moral reasoning in earnings management. In this context, the importance and implications of Kant's theory on earnings management lie in the fact that it relates to questions about how one should act. A detailed explanation of the concept of the categorical imperative is presented in "Justification of the Metaphysics of Morals" in 1785. Kant starts from the concept of "goodwill," which is not good for its consequences but good in itself. The will is good only if it strives to fulfill its duty. A person fulfills a duty if they are not compelled to take certain actions for any subjective reason (self-satisfaction, tangible financial gain) (Tapek, 2016). Integrating Kant's theory into the practice and concept of ethics in management can provide valuable insights into managers' moral reasoning regarding the ethics of good intentions in

earnings management. According to Kant, an action that includes earnings management practices is considered good if it is performed with good intentions or maxims based on moral obligations. If a company manipulates financial statements with the intention of deceiving relevant parties, such actions are deemed not good because their intentions do not stem from moral obligations. In the context of earnings management, actions taken to fulfill moral and ethical obligations result in financial statements that reflect truth and justice. Although there may be pressure to manipulate figures for the company's benefit, actions taken because of the obligation to provide accurate information to stakeholders can be interpreted as moral actions. This is consistent with (Reynolds and Bowie, 2004). Kant argued that in true moral behavior, the purity of intention is everything. If you do not lie, cheat, or steal because you fear imprisonment or loss of reputation, your behavior aligns with morality, but it is not done for moral reasons. To be truly moral, this must be performed because it is correct.

Kant argued that motives fulfilling specific individual interests are permissible as long as we do not use these motives to portray wrong actions as right or evil intentions as good deeds. This finding sheds new light on the age-old question of the role that profit motives can play in businesses (Dierksmeier, 2013). With the integration of Kant's theory into earnings management practices in the business world, profit motives often serve as a primary driver in decision-making, including earnings management practices. Kant acknowledges that these motives are not always prohibited but become problematic when used to formulate or justify inherently wrong or evil actions. Thus, striving for profit in business is not an issue as long as the actions taken align with moral principles. Kant highlights the danger of using legitimate motives to conceal wrong or malicious actions. Earnings management can occur when a company employs creative accounting policies or financial statement manipulations to alter the perception of its financial performance without considering the ethical consequences of such actions. In other words, legitimate profits can be misused to portray unethical or ethical actions.

The categorical imperative is formulated as follows: Act as if the principles of your conduct become a universal law through your will. Kant described this as a two-step test. First, it must be universalized as a general law without logical contradictions. Second, even if we do not find logical contradictions described above in the maxim, the maxim cannot create internal disharmony by "wishing" the maxim for oneself but not for others and vice versa. The principles of earnings management should be universalized without logical contradictions. If all companies adopt earnings management practices that harm the credibility of their financial reports, the financial system may be disrupted. Therefore, these actions cannot be considered consistent with Kant's categorical imperatives. If a manager or company adopts earnings management practices to benefit itself without considering the fairness or interests of others, this can lead to internal disharmony. From Kant's perspective, such actions are inconsistent with people's desires.

Complete obligations are certain; they precisely define what and to whom one is morally obligated. Conversely, incomplete duties are not specified. The subject is free to choose who, what, and how they fulfill their moral obligations. Complete duties are prohibitions against certain actions considered morally reprehensible, whereas incomplete duties are commands to pursue specific goals with moral value (Tapek, 2016). Complete Obligations in Earnings Management: Complete obligations, in Kant's view, can be interpreted as prohibitions against certain actions considered morally reprehensible. In the earnings management context, actions such as manipulating financial reports or hiding information that can affect stakeholder decisions may be regarded as violations of moral obligations. Kant asserted that such actions violate definite moral rules and cannot be justified.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study demonstrates that earnings management practices raise important ethical concerns when evaluated through Kantian moral philosophy. Although accounting standards may allow managerial discretion, actions that intentionally manipulate financial information to mislead stakeholders violate Kant's principles of moral duty and the categorical imperative.

The findings highlight that ethical financial reporting should comply not only with technical accounting standards but also with universal moral principles. For practitioners, the study emphasizes the importance of strengthening ethical awareness and accountability in financial reporting practices.

Future research should empirically examine how moral reasoning frameworks influence managerial decisions related to earnings management across different organizational contexts.

This study contributes to the accounting ethics literature by integrating Kant's deontological

philosophy as a normative framework for evaluating managerial behavior in financial reporting. The findings highlight the importance of ethical awareness in financial reporting practices and encourage organizations to prioritize moral responsibility alongside technical compliance with accounting standards. Future research may extend this study by empirically examining how moral reasoning influences managerial decisions related to earnings management across different organizational and institutional contexts.

Considering the limitations of the literature on earnings management ethics, this study highlights the differences in perceptions related to earnings management ethics and emphasizes the importance of considering an ethical perspective in evaluating accounting policies and practices. In this regard, Immanuel Kant's theory of moral reasoning serves as the basis for evaluating earnings management actions, focusing on good intentions and moral obligations. The contribution of Kant's theory to deepening the understanding of earnings management ethics is evident from the idea that the moral value of an action depends entirely on the agent's motivation. This theory suggests that human actions are considered good or bad based on good intentions rather than consequences. Furthermore, integrating Kant's theory into earnings management practices can help analyze the moral motivations of managers involved in these practices. Considering Kant's categorical imperative, the principles of earnings management should be universally applicable without logical contradictions. If all companies adopt earnings management practices that harm the credibility of their financial statements, it can lead to internal disharmony and conflict with Kant's categorical imperatives. Overall, this study provides a deep understanding of the complexity of earnings management ethics, presents diverse perspectives, and offers Kant's moral framework as an evaluation foundation.

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