

Formulating an Ethical Accounting Model in Relation to Earnings Management and Tone Management: A Mixed-Methods Study

Matin Ghasemi¹, Mostafa Ghasemi^{2,*} and Abdolreza Mohseni³



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¹ Department of Accounting, Bu.C., Islamic Azad University, Bushehr, Iran; 

² Department of Accounting, Bu.C., Islamic Azad University, Bushehr, Iran; 

³ Department of Accounting, Bu.C., Islamic Azad University, Bushehr, Iran; 

* Correspondence: Mostafa.ghasemi@iau.ac.ir

Abstract: Based on the opportunistic earnings management approach, companies engaging in earnings management use optimistic tone in financial reporting, while those that do not engage—or engage minimally—in earnings management tend to employ a pessimistic tone. This is because managers prefer to disclose information regarding positive company performance and highlight their successes, while concealing data associated with poor performance. This issue imposes a form of ethical burden on managers. Considering this and the importance of professional ethics in accounting, the primary question of this study is: What is the model of professional ethical accounting and its relationship with earnings management and tone management? In other words, which indicators of professional accounting ethics can influence earnings management and tone management, and what is the relationship among them? This research utilized a mixed-methods approach (qualitative–quantitative), incorporating grounded conceptual theory and structural modeling. The statistical population and sample consisted of members of the Iranian Association of Certified Public Accountants, independent auditors, auditors from the Supreme Audit Court, and managers of business entities. In this study, after conducting 10 semi-structured interviews, data analysis reached theoretical saturation. In the quantitative phase, the statistical population included auditors working at the Supreme Audit Court, several financial managers of commercial companies, members of the Iranian Association of Certified Public Accountants, and members of the audit community. Given the size of the population, a two-stage cluster sampling method was employed. Following the interviews, 346 initial codes were extracted from the transcripts. Through the coding of these concepts, 64 sub-themes were identified. By categorizing these sub-themes into similar groups, 11 main themes were finalized. Subsequently, a sample of 134 accountants was selected for the quantitative phase, from whom survey data were collected via questionnaire to test the research model. The results of the Partial Least Squares (PLS) technique fully validated the model.

Keywords: Accounting Ethics, Earnings Management, Tone Management, Grounded Conceptual Theory

1. Introduction

The ethical role of a manager in a business entity in motivating actions, fostering unity among departments, and accelerating organizational processes to achieve desirable outcomes is a matter that cannot be easily overlooked. There are numerous managers who, despite possessing traits such as decisiveness, expertise, authority, and necessary knowledge, have failed to achieve success due to their disregard for ethical considerations in

management, and consequently have faced failure [1, 2]. What is crucial here is the impact of ethics on accounting practices within business units. Given the weakening of traditional ethical systems in societies and the rapid advancement of science and technology, the attention to the role of ethics is considered a matter of great importance. A distinguishing feature of the accounting profession is the acceptance of responsibility toward the broader society [3, 4].

Since professional accountants played a significant role in recent financial scandals [5, 6], their professional ethics have emerged as a broader social issue [7]. Society has high expectations from the accounting profession, and the public must be able to trust the quality of the complex services provided by accountants. Therefore, the information presented by accountants must be significantly relevant, reliable, realistic, and unbiased. Consequently, accounting ethics is of great importance to professional accountants and those who rely on accounting services [8].

What further highlights the importance of ethics in accounting are issues such as earnings management, which, if ethics are not properly observed, can become the Achilles' heel of financial reporting. Earnings management has been identified as one of the major challenges in the accounting profession, as it does not reflect the true financial position of organizations and conceals relevant information that investors should be aware of. According to researchers, the unethical behavior inherent in earnings management can be a driver of ethical failure within companies [5]. Major financial scandals (such as Enron and WorldCom) have raised questions about how and why such scandals occurred. The answer lies in the failure to observe ethical standards. These scandals indicate that adherence to ethical principles is a necessity in the accounting profession [1].

Earnings management occurs due to the flexibility of accounting standards and the discretionary power managers have in selecting accepted accounting practices. In reality, managers use judgment in financial reporting and structure transactions in a way that misleads some stakeholders about the company's economic performance or affects the outcomes of agreements based on accounting figures. Earnings management differs from fraud: fraud involves deviation from accepted accounting principles, whereas earnings management involves the use of existing capacities within standards [9-11].

In various countries, capital market regulatory bodies require companies to disclose specific information. In these disclosures, in addition to quantitative data, narrative explanations are also provided. The presentation of narrative disclosures in these reports is subject to management's discretion, and unlike the information in financial statements, there is no regulatory prescription regarding the format of narrative disclosures. Compared to quantitative financial reports, managers are better able to pursue their objectives in this area through the selection of language and presentation style [12].

Market participants seek information that enables them to predict the future performance of the company. Narrative disclosures reveal more detailed and precise insights into events, and by expressing management's perspectives and values, reduce the level of information symmetry between preparers and users of information. If a company has negative news and employs a strategy of withholding and not disclosing such news, it reduces shareholder satisfaction. Therefore, due to the relatively less legal oversight on qualitative disclosures compared to quantitative information, managers can skillfully use language to present a favorable image of the company and establish effective communication with market participants [12, 13].

The reviewed literature provides robust support for the multidimensional relationship between professional ethics, tone management, and earnings management in accounting. Vafaipour et al. (2022) developed a qualitative model emphasizing the prioritization of ethical competencies, social responsibility, and tone management as critical indicators in financial reporting quality [14]. Rahmani and Rajab Dary (2020) found that motivational values, both

directly and through ethical commitment, predict fraudulent reporting behaviors [10]. Mirzaei et al. (2020) showed that pessimistic tone in financial reporting significantly decreases bold financial disclosures, a dynamic intensified by shareholder protection mechanisms [15]. Zare Behnamiri et al. (2019) confirmed that managerial power correlates with tone in earnings announcements, moderated by board oversight [16]. Internationally, Mökander et al. (2021) emphasized ethical auditing as essential for governance in automated systems, proposing criteria and limitations for effective implementation [17]. Xu et al. (2020) noted that managers manipulate tone to facilitate insider trading, influenced by media scrutiny [18]. Druz et al. (2020) concluded that tone in conference calls shapes investor and analyst sentiment [19]. Priyastiwati et al. (2020) confirmed that ethical orientation reduces managerial earnings management through decreased information asymmetry [2]. Finally, Carlson and Lamti (2015) argued that tone management and earnings management act as complements rather than substitutes, highlighting how tone reflects not just financial performance but also strategic intentions [20]. Collectively, these studies underscore the significance of ethical orientation, tone, and accountability structures in shaping the integrity of financial reporting.

Tone management (narrative management) can be used to manipulate users' perceptions of the company, contributing to information asymmetry. Similar to the purpose of narrative management, accruals can be opportunistically managed to manipulate users' perceptions of the company's fundamental information. Thus, managers can utilize the CEO's letter to apply narrative management and potentially conceal earnings management, thereby misleading users of the company's fundamental data [20]. In a sense, it can be said that the tone of financial reporting completes the puzzle of earnings management, and both phenomena can be defined as being influenced by a lack of ethical consideration.

Given the above and the importance of professional ethics in accounting, the central question of this research is: What is the model of professional accounting ethics and its relationship with earnings management and tone management? In other words, which indicators of professional accounting ethics can influence earnings management and tone management, what is the priority of each, and what is the relationship among them?

2. Methodology

This research is categorized as an applied study in terms of its objective, as the researcher aims to develop a professional ethical accounting model with the goal of expanding applied knowledge in this domain. The present study, in terms of data collection, falls under the category of mixed-methods research; in other words, it is a sequential exploratory mixed-method study, in which the qualitative phase precedes the quantitative phase. That is, qualitative data are first collected and organized, allowing the researcher to gain a comprehensive understanding of the studied phenomenon through a descriptive exploration, followed by addressing the research questions using quantitative data.

In the qualitative phase, the qualitative model is developed using Strauss and Corbin's (2008) grounded theory approach to discover core and sub-categories of the ethical model and identify their interrelationships, ultimately proposing a paradigm model. In the quantitative phase, a researcher-made questionnaire is used. Additionally, in terms of time, the current study is cross-sectional and was conducted in 2022.

Based on the research objective, the research questions are as follows:

Main Research Question:

Can emphasizing ethical models and promoting them prevent earnings management and tone management?

Sub-questions:

What is the role of ethics in preventing earnings management and tone management?

What are the core categories in formulating the ethical model?

What are the contextual conditions for developing ethical models for accountants and auditors?

The statistical population of this study consists of members of the Iranian Association of Certified Public Accountants, independent auditors, auditors of the Audit Organization, and business unit managers.

In theoretical sampling for grounded theory studies, the exact number of samples is not predetermined. Instead, sampling is conducted in the field and continues until theoretical saturation is reached, after which it stops. Theoretical saturation is generally achieved when no new information is obtained from additional samples, and no new relationships emerge for the researcher. In the present study, after conducting 10 semi-structured interviews, data analysis reached theoretical saturation. To record interviewees' responses and opinions, electronic questionnaires were sent and completed by participants.

The sampling method used was theoretical sampling, employing non-probability purposive and snowball techniques. Since the development of a qualitative model and the analysis of relationships between its indicators and their prioritization require input from a sufficient number of experts, a total of 20 experts were selected as the statistical sample, as shown in Table 1:

Table 1. Characteristics of Experts Participating in the Study

Row	Expert Group	Number
1	Members of the Association of CPAs	5
2	Financial Managers of Business Units	5
3	Members of the Auditing Community	5
4	Auditors of the Audit Organization	5
	Total	20

In the quantitative phase, the statistical population includes auditors employed by the Audit Organization, several financial managers of commercial firms, members of the Association of Certified Public Accountants, and members of the auditing community. Given the size of the statistical population, a two-stage cluster sampling method was employed. Since various public-sector institutions are involved, cluster sampling ensures that representatives from each institution are included in the sample.

Considering that the minimum sample size required for factor analysis is estimated by many researchers to range between 100 and 200 participants—and taking into account that the population size of each cluster is unknown—an initial 30 questionnaires were distributed, and the variance was calculated. Based on the resulting formula, the sample size was determined to be 134 participants. Accordingly, a number of samples were selected from each cluster. Due to the unusability of some questionnaires, a total of 160 questionnaires were distributed, and 135 were returned.

This study employed both documentary and field methods. In the documentary section, relevant domestic and international books and scholarly articles were used, while in the field section, data were collected using structured instruments (questionnaires).

In the qualitative phase, semi-structured interviews with experts were conducted to identify the indicators of the qualitative model. Since one of the objectives of this study is to arrive at a qualitative model based on grounded theory, the identified indicators must be categorized into six groups: causal conditions, contextual conditions, core

phenomenon, intervening conditions, strategies, and consequences. To achieve this, three stages of coding—open, axial, and selective—were conducted.

Checklist: A checklist was used to select the most important indicators of the qualitative model. It should be noted that the initial indicators of the qualitative model derived from the semi-structured interviews were included in the checklist, and the experts were asked to indicate their level of agreement with each indicator (using the content validity ratio technique).

In the quantitative phase, a researcher-made questionnaire was used to examine the relationships between the indicators: This tool was applied to investigate the relationships among the variables of the qualitative model (the number of items depended on the number of variables in the model).

Construct validity of the quantitative model was assessed using convergent validity. To determine convergent and discriminant validity, the confirmatory factor analysis (CFA) technique was used. Factor analysis is one of the methods for estimating validity, as it allows for identifying and assessing the relative strength of various psychological traits. If there is a significant correlation among multiple tests, it indicates that they all contribute to measuring a common factor. To assess convergent construct validity, three criteria must be met:

1. The factor loading for each latent variable must be greater than 0.5;
2. Factor loadings must be statistically significant;
3. The average variance extracted (AVE) for each latent variable must be greater than 0.5.

The data analysis methods and tools are as follows:

To propose the qualitative model, Strauss and Corbin's (1998) systematic grounded theory approach was used. Accordingly, the model's indicators were identified through semi-structured interviews with experts and categorized as selective codes, axial codes, and open codes, then distributed across six components: causal conditions, contextual conditions, core phenomenon, strategies, consequences, and intervening conditions.

The reliability of the qualitative model was assessed using the Kappa coefficient. The validity of the qualitative model was evaluated using both face and content validity. For this purpose, MaxQDA software was used. Finally, in the quantitative phase, model fitting was performed using Smart PLS.

3. Findings and Results

After the first stage of coding in MAXQDA software, axial coding constituted the second step of data analysis in grounded theory development. The objective of this stage is to establish connections among the categories generated during open coding. At this stage, through screening, eliminating duplicate codes, and integrating synonymous codes, the indicators extracted from interview texts are categorized. The relationships among other categories with the core category can be conceptualized under six headings: causal conditions, core phenomenon, strategies and actions, intervening conditions, contextual conditions, and consequences. Accordingly, from all the indicators obtained during open coding, categories were defined in this stage, resulting in 11 main categories and 64 subcategories. Following the two coding phases, selective coding—constituting the final stage—must be performed. In this step, the categories identified through axial coding are grouped into the six components of the paradigm model. These components include causal, contextual, intervening, core, strategic, and consequential categories.

Table 2: Main Dimensions and Categories of the Research Model After Selective Coding

Selective Coding	Axial Coding	Open Coding
Causal Conditions	Supervisory Ethical Rules	Formulating clear ethical rules governing accounting
		Explicit communication of ethical rules to accountants
		Monitoring the proper implementation of ethical matters
		Strict enforcement against unethical conduct
		Support for adherence to ethical rules
		Continuous review and improvement of ethical standards
	Workplace Spirituality	Establishing spiritual leadership in the company
		Managerial support for ethical conduct
		Strengthening ethical behaviors and performance
		Ethical spirit and mutual cooperation in the company
		Sense of calm and attachment to work
		Employees' religiosity and spirituality
	Ethical Culture	Establishment of an ethical atmosphere in the company
		Clear ethical values of the organization
		Employees' beliefs in ethical issues
		Ethical norms in the organization
		Institutionalization of ethics in the organization
		Professional and technical knowledge of accountants
Contextual Conditions	Professional Competence	Accountants' professional skills
		Work experience and career history of accountants
		Continuous updating of knowledge and information
		Professional capabilities of accountants
Core Phenomenon	Professional Ethics	Performing accounting duties with a high sense of responsibility
		Focus on professional accounting activities
		Fairness and justice in accounting tasks
		Loyalty to the principles of professional accounting ethics
		Ambition and motivation for professional development
		Respect for colleagues and other accountants
		Observance and respect for organizational ethical values
		Spirit of cooperation and professional assistance
		Confidentiality and adherence to privacy in work
		Defining the company's vision based on ethical principles
Strategies and Actions	Ethics-Oriented Strategy	Formulating the company's ethical mission
		Setting long-term and short-term ethical goals
		Clear planning to achieve ethical objectives
		Transparent ethical policies in the organization
		Developing procedures for ethical rule implementation
		Regulations governing ethical compliance
		Manipulation of company profit reporting
		Distortion of financial statements
		Fabrication and unrealistic profit presentation
		Concealing profit and loss information from stakeholders
Intervening Conditions	Earnings Management	Misreporting to auditors
		Lack of clarity in ethical rules and regulations
		Ambiguity in accounting ethical standards
		Vague ethical accounting codes
		Misinterpretation of ethical accounting rules
	Tone Management	Information asymmetry
		Increased ethical behavior in individual accountants
		Rewarding and reinforcing personal ethical conduct
		Promotion of accountants based on ethical adherence
Consequences	Development of Individual Ethics	

Strengthening Group Ethics

Enhancement of Organizational Ethics

Evaluation of accountants based on ethical principles

Team spirit and collaboration among accountants

Supporting fellow accountants in ethical dilemmas

Procedural consistency in professional practices

Warmth and affection among accountants

Cohesion and integrity in team operations

Promoting the company's ethical image in society

Reduction of corporate crimes and misconduct

Decline in administrative corruption throughout the organization

Establishing healthy and constructive organizational relationships

Development of ethical capital in the company

Expansion of workplace ethics

Self-regulation and reduced need for continuous supervision

artial Least Squares (PLS) technique was used to validate the model. The results obtained from the model execution in the standard estimation mode demonstrate the direction and strength of the relationships between the variables. The output of the Smart PLS software for the standard estimation is presented in Figure 1.

To assess the significance of the relationships among the model variables, the bootstrapping resampling method was employed, which provides the t-statistic. At the 5% significance level, if the bootstrap t-statistic is greater than 1.96, the observed correlations are considered statistically significant. The t-statistic and the bootstrap value for evaluating the significance of relationships are also presented in Figure 2.

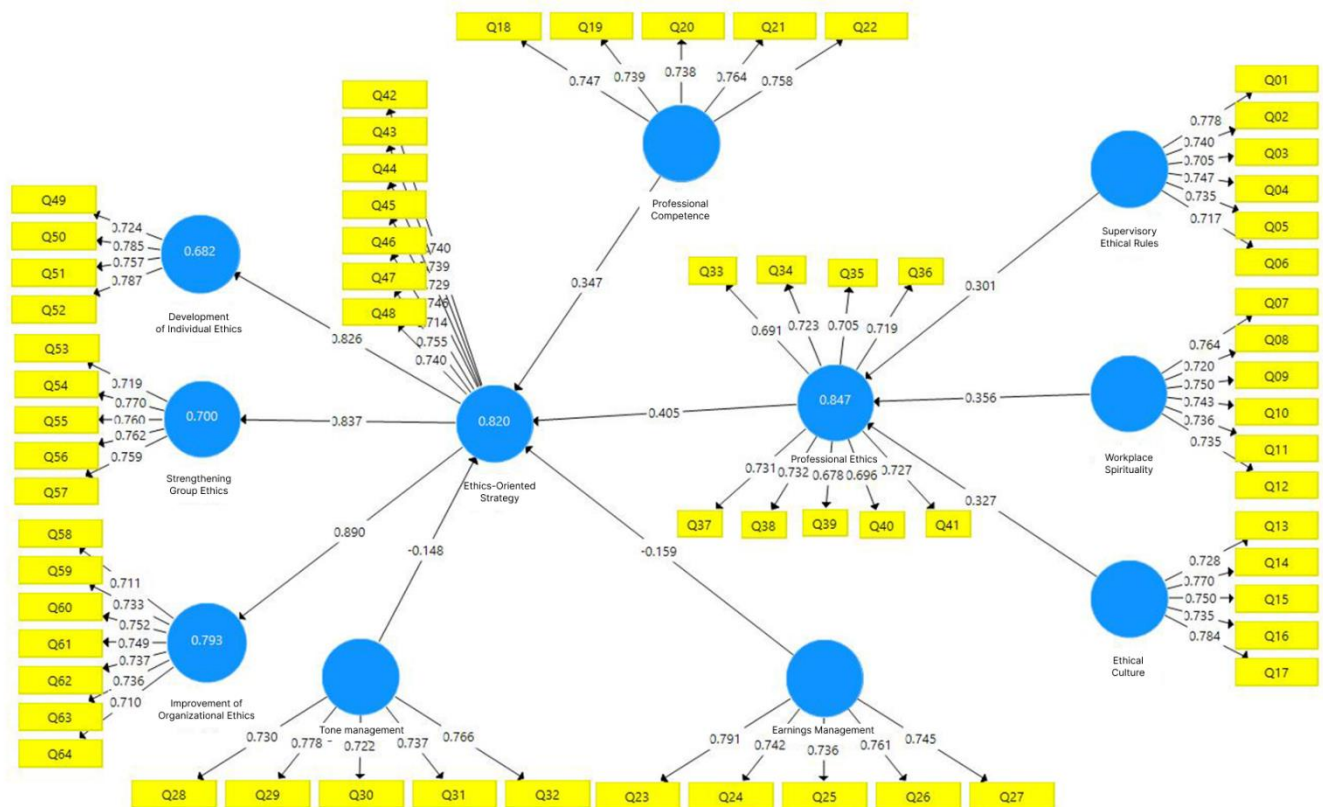


Figure 1. Model Validation Output Using Partial Least Squares Method

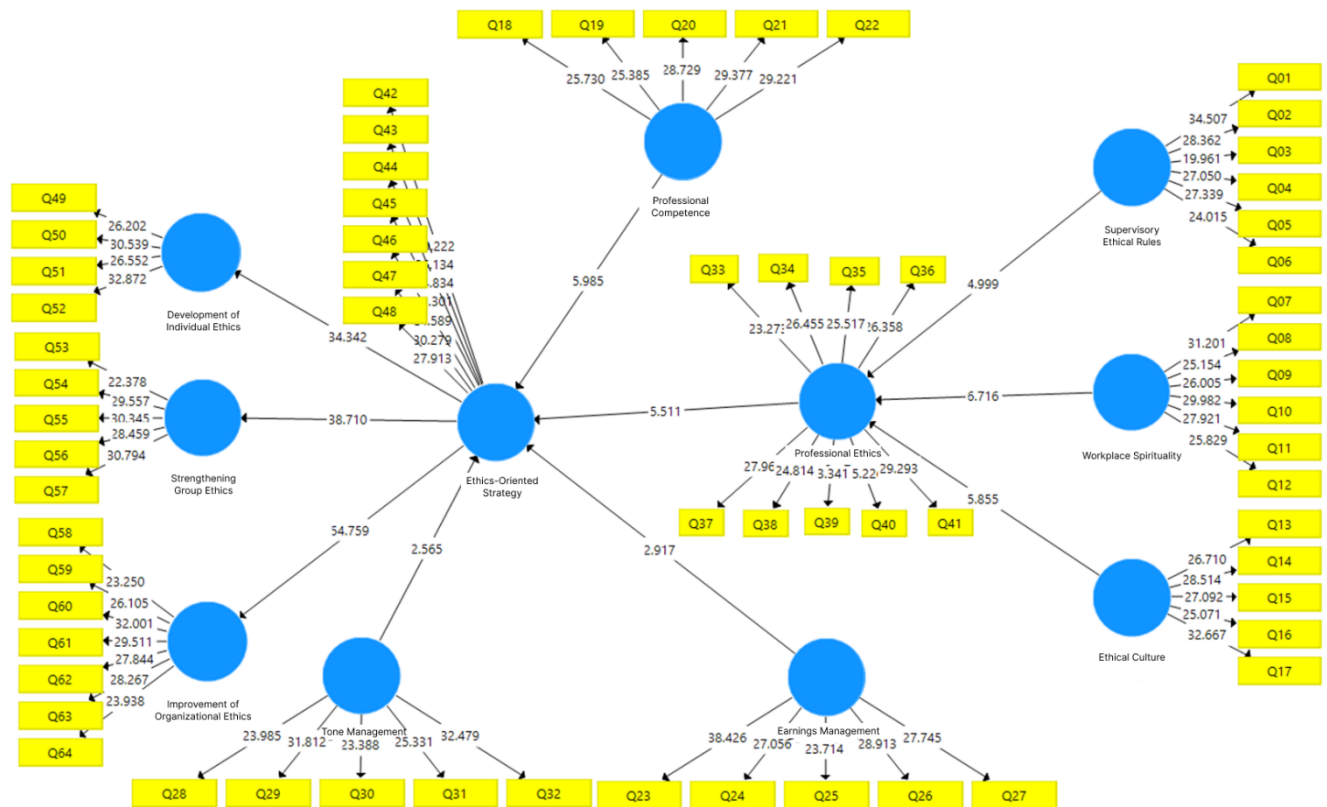


Figure 2. Significance of Variable Relationships Using Partial Least Squares (Bootstrapping)

The outer model (measurement model) indicates that the indicators designed to measure each of the main constructs possess sufficient validity. The strength of the relationship between the indicators and their respective constructs is assessed using factor loadings, and their significance is evaluated using the t-statistic.

The results of the outer model (measurement model) are presented in the table below.

Table 3. Results of the Outer Model (Measurement Model)

Indicator	Factor Loading	t-Statistic
Q01 → Supervisory Ethical Rules	0.778	34.507
Q02 → Supervisory Ethical Rules	0.740	28.362
Q03 → Supervisory Ethical Rules	0.705	19.961
Q04 → Supervisory Ethical Rules	0.747	27.050
Q05 → Supervisory Ethical Rules	0.735	27.339
Q06 → Supervisory Ethical Rules	0.717	24.015
Q07 → Workplace Spirituality	0.764	31.201
Q08 → Workplace Spirituality	0.720	25.154
Q09 → Workplace Spirituality	0.750	26.005
Q10 → Workplace Spirituality	0.743	29.982
Q11 → Workplace Spirituality	0.736	27.921
Q12 → Workplace Spirituality	0.735	25.829
Q13 → Ethical Culture	0.728	26.710
Q14 → Ethical Culture	0.770	28.514
Q15 → Ethical Culture	0.750	27.092
Q16 → Ethical Culture	0.735	25.071
Q17 → Ethical Culture	0.784	32.667
Q18 → Professional Competence	0.747	25.730

Q19 → Professional Competence	0.739	25.385
Q20 → Professional Competence	0.738	28.729
Q21 → Professional Competence	0.764	29.377
Q22 → Professional Competence	0.758	29.221
Q23 → Earnings Management	0.791	38.426
Q24 → Earnings Management	0.742	27.056
Q25 → Earnings Management	0.736	23.714
Q26 → Earnings Management	0.761	28.913
Q27 → Earnings Management	0.745	27.745
Q28 → Tone Management	0.730	23.985
Q29 → Tone Management	0.778	31.812
Q30 → Tone Management	0.722	23.388
Q31 → Tone Management	0.737	25.331
Q32 → Tone Management	0.766	32.479
Q33 → Professional Ethics	0.691	23.273
Q34 → Professional Ethics	0.723	26.455
Q35 → Professional Ethics	0.705	25.517
Q36 → Professional Ethics	0.719	26.358
Q37 → Professional Ethics	0.731	27.966
Q38 → Professional Ethics	0.732	24.814
Q39 → Professional Ethics	0.678	23.341
Q40 → Professional Ethics	0.696	25.226
Q41 → Professional Ethics	0.727	29.293
Q42 → Ethics-Oriented Strategy	0.740	29.222
Q43 → Ethics-Oriented Strategy	0.739	26.134
Q44 → Ethics-Oriented Strategy	0.729	24.834
Q45 → Ethics-Oriented Strategy	0.746	30.301
Q46 → Ethics-Oriented Strategy	0.714	24.589
Q47 → Ethics-Oriented Strategy	0.755	30.279
Q48 → Ethics-Oriented Strategy	0.740	27.913
Q49 → Development of Individual Ethics	0.724	26.202
Q50 → Development of Individual Ethics	0.785	30.539
Q51 → Development of Individual Ethics	0.757	26.552
Q52 → Development of Individual Ethics	0.787	32.872
Q53 → Strengthening Group Ethics	0.719	22.378
Q54 → Strengthening Group Ethics	0.770	29.557
Q55 → Strengthening Group Ethics	0.760	30.345
Q56 → Strengthening Group Ethics	0.762	28.459
Q57 → Strengthening Group Ethics	0.759	30.794
Q58 → Improvement of Organizational Ethics	0.711	23.250
Q59 → Improvement of Organizational Ethics	0.733	26.105
Q60 → Improvement of Organizational Ethics	0.752	32.001
Q61 → Improvement of Organizational Ethics	0.749	29.511
Q62 → Improvement of Organizational Ethics	0.737	27.844
Q63 → Improvement of Organizational Ethics	0.736	28.267
Q64 → Improvement of Organizational Ethics	0.710	23.938

The relationships among the main constructs of the research were examined in the structural section. A summary of the results from the structural model (relationships between the model constructs) is presented in the table below.

Table 4. Summary of Structural Model Results (Construct Relationships)

Relationship	Path Coefficient	t-Statistic	Significance	Result
Professional Ethics → Ethics-Oriented Strategy	0.405	5.511	0.000	Confirmed
Ethics-Oriented Strategy → Improvement of Organizational Ethics	0.890	54.759	0.000	Confirmed
Ethics-Oriented Strategy → Strengthening Group Ethics	0.837	38.710	0.000	Confirmed
Ethics-Oriented Strategy → Development of Individual Ethics	0.826	34.342	0.000	Confirmed
Professional Competence → Ethics-Oriented Strategy	0.347	5.985	0.000	Confirmed
Ethical Culture → Professional Ethics	0.327	5.855	0.000	Confirmed
Supervisory Ethical Rules → Professional Ethics	0.301	4.999	0.000	Confirmed
Earnings Management → Ethics-Oriented Strategy	-0.590	2.917	0.036	Confirmed
Tone Management → Ethics-Oriented Strategy	-0.148	2.565	0.011	Confirmed
Workplace Spirituality → Professional Ethics	0.356	6.716	0.000	Confirmed

Based on the path coefficients and t-statistics (bootstrapping), the construct relationships are interpreted as follows:

The path coefficient for *Professional Ethics → Ethics-Oriented Strategy* was calculated as 0.405 with a t-statistic of 5.511. Therefore, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Ethics-Oriented Strategy → Improvement of Organizational Ethics* was 0.890 with a t-statistic of 54.759. Thus, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Ethics-Oriented Strategy → Strengthening Group Ethics* was 0.837 with a t-statistic of 38.710. Therefore, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Ethics-Oriented Strategy → Development of Individual Ethics* was 0.826 with a t-statistic of 34.342. Thus, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Professional Competence → Ethics-Oriented Strategy* was 0.347 with a t-statistic of 5.985. Therefore, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Ethical Culture → Professional Ethics* was 0.327 with a t-statistic of 5.855. Hence, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Supervisory Ethical Rules → Professional Ethics* was 0.301 with a t-statistic of 4.999. Thus, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Earnings Management → Ethics-Oriented Strategy* was -0.590 with a t-statistic of 2.917. Hence, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Tone Management → Ethics-Oriented Strategy* was -0.148 with a t-statistic of 2.565. Therefore, with 95% confidence, this hypothesis is confirmed.

The path coefficient for *Workplace Spirituality → Professional Ethics* was 0.356 with a t-statistic of 6.716. Thus, with 95% confidence, this hypothesis is confirmed.

To evaluate the model fit, the GOF, RMS_theta, and SRMR indices were used. For the GOF index, values of 0.01, 0.25, and 0.36 are considered weak, moderate, and strong, respectively. For the RMS_theta index, values below 0.12 indicate good model fit, while higher values indicate poor fit. For the SRMR index, a value below 0.10 is considered acceptable, and more strictly, below 0.08 is preferred.

In this study, the GOF index was 0.652, which is greater than 0.36. The RMS_theta index was 0.119, which is below 0.12. The SRMR index was 0.059, which is below 0.08. Therefore, the model fit is deemed satisfactory.

4. Discussion and Conclusion

The structural model results of this study confirmed the hypothesized relationships between key constructs in developing a professional ethical accounting model related to earnings management and tone management. The findings demonstrated that professional ethics significantly influence ethics-oriented strategic planning (path coefficient = 0.405; $t = 5.511$). This aligns with previous research emphasizing the foundational role of ethical conduct in managerial and strategic behavior within accounting practices [3, 7]. Furthermore, ethics-oriented strategies had strong positive impacts on improving organizational ethics (path coefficient = 0.890; $t = 54.759$), strengthening group ethics (path coefficient = 0.837; $t = 38.71$), and developing individual ethics (path coefficient = 0.826; $t = 34.342$). These outcomes suggest that strategic alignment with ethical values leads to tangible ethical advancements across different organizational levels. This is consistent with research emphasizing that a structured ethical framework enhances transparency, accountability, and employee engagement [2, 7].

The influence of professional competence on ethics-oriented strategies was also confirmed (path coefficient = 0.347; $t = 5.985$), suggesting that accountants with higher technical expertise and updated knowledge are more likely to contribute to or advocate for ethical strategic planning. This supports findings by [21], who emphasized that professional capability significantly enhances ethical judgment and reduces the likelihood of deviation from ethical standards. Similarly, ethical culture (path coefficient = 0.327; $t = 5.855$) and supervisory ethical rules (path coefficient = 0.301; $t = 4.999$) were positively associated with professional ethics, reinforcing the role of internalized values and regulatory frameworks in shaping ethical behavior among accountants. This aligns with [22] and [23], who argued that without a strong ethical climate and effective supervision, ethical principles may not be internalized effectively, leading to increased risk of misconduct.

The negative relationship between earnings management and ethics-oriented strategy (path coefficient = -0.590; $t = 2.917$) and between tone management and ethics-oriented strategy (path coefficient = -0.148; $t = 2.565$) is a notable outcome. These results indicate that when organizations adopt robust ethical strategies, the opportunity or inclination for earnings manipulation and tone distortion diminishes. This supports prior research stating that ethical orientation serves as a deterrent against opportunistic behavior in financial reporting [5, 6, 24]. Moreover, tone management—when used unethically—can distort stakeholders' understanding of financial realities, which has been linked to reduced trust and increased information asymmetry [15, 18, 19]. The current study reinforces these concerns and highlights that promoting ethics not only reduces tone manipulation but also supports the development of more accurate and transparent financial narratives.

Spirituality in the workplace was also found to have a positive and significant effect on professional ethics (path coefficient = 0.356; $t = 6.716$). This underscores the importance of intrinsic values and the emotional climate of the organization in shaping ethical behavior. Studies such as those by [3] and [7] have argued that spiritual leadership and value-oriented organizational climates enhance moral awareness and responsibility, reducing unethical practices. Similarly, the alignment of this finding with [23] suggests that organizations fostering psychological safety, moral commitment, and collective integrity foster a culture of trust and ethical decision-making.

Moreover, the results reinforce the systemic nature of ethics in accounting by showing that improvements in ethics are not isolated but ripple across the organization. Ethics-oriented strategies lead to development in individual ethics, which then reinforce group ethics and organizational ethical conduct. These multi-level ethical enhancements are essential in mitigating unethical practices such as earnings management and tone manipulation, as echoed by [13] and [25]. These studies emphasize that isolated efforts, such as punitive actions or superficial

policies, are insufficient unless embedded within a comprehensive ethical model that integrates individual, group, and organizational dimensions.

The model fit indices further support the robustness of the structural model. The GOF value of 0.652, RMS_theta of 0.119, and SRMR of 0.059 all indicate a good model fit. These values exceed the commonly accepted thresholds, as discussed by [6], confirming the empirical soundness of the proposed ethical accounting model. The empirical validation offers strong support for using a grounded, ethics-centered approach in developing strategies that deter unethical accounting behavior and improve the quality of financial reporting.

These findings also add to the growing body of literature advocating the integration of ethical considerations into the architecture of accounting and auditing practices. Studies by [14] and [17] emphasize that ethics must not remain as abstract ideals but should translate into actionable frameworks embedded in organizational strategy, policies, and performance evaluations. This study confirms that ethics-oriented strategies are not only theoretically important but are statistically and practically significant in enhancing ethical conduct and reducing manipulative behavior in financial reporting.

Despite its significant findings, the present study has several limitations. First, the qualitative phase of the research relied on interviews with a specific group of experts, which may have introduced bias based on personal or institutional perspectives. Second, the generalizability of the quantitative results is limited by the sample size (135 respondents) and the regional focus of the study, which may not fully represent broader or international accounting practices. Third, the self-reported nature of the questionnaire responses may have been influenced by social desirability bias, leading participants to portray themselves or their organizations in a more ethical light than is accurate. Lastly, while the use of the Partial Least Squares method is robust, it assumes linearity among relationships and may not capture complex, nonlinear dynamics inherent in ethical behavior.

Future research should consider expanding the geographic scope of the study to include cross-national comparisons of ethical accounting models to identify cultural and regulatory differences. Additionally, longitudinal studies could examine how the implementation of ethics-oriented strategies influences behavior and outcomes over time. Future work could also incorporate experimental designs or simulations to test the behavioral impact of ethical policies under different organizational pressures. Moreover, the integration of artificial intelligence and digital ethics into accounting practices is a rapidly emerging area, warranting exploration of how ethical frameworks adapt to digital transformation and algorithmic decision-making in financial reporting.

Organizations should embed ethical standards directly into their strategic planning, employee evaluation, and performance measurement systems. Ethics training should be conducted regularly, targeting not only accountants but all organizational members involved in financial decision-making. Regulatory bodies should develop clearer ethical codes and enforceable guidelines for tone management and earnings reporting. Creating an ethical culture—supported by leadership role modeling, transparency mechanisms, and reward systems for ethical behavior—can significantly reduce the likelihood of opportunistic behavior. Finally, companies should actively promote workplace spirituality and ethical leadership to build environments where integrity and accountability are the norm.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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