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# EMPIRICAL ECONOMIC ETHICS RESEARCH: EVIDENCE REGARDING ACCOUNTING AND STATISTICS

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## Abstract

In this article I want to present the perspective and dimension of economic ethics which highlight a combination between the two disciplines economics and ethics, uniting value judgments from both disciplines, for to predict, analyze and model the economic phenomena. It includes theoretical ethical premises and foundations of economic systems.

This approach was necessary for not to be confused the economics ethics with business ethics. The concept of business ethics, used in anglo-saxon space, as the equivalent to the ethics of economic entity), represents the set of moral rules and norms which aimed the conduct of agents in economic activity, and which, also regardless of the size of the economic entities, must be integrated as part of the entity's strategy.

To highlight this difference between business ethics and economic ethics I presented real evidence by which it is combined the accounting and statistics, like economics disciplines and ethics.

**Keywords:** accounting ethics, business ethics, economics ethics, tool accounting, statistical model

## 1. Introduction

Accounting ethics, as a field of applied ethics is part of business and human ethics, and studies the values and moral judgments as they apply to accounting. So, accounting ethics refers to following specific rules that every person associated with accounting should follow to prevent misuse of the financial information, and it is an example of professional ethics.

The economic ethics combines economics and ethics, uniting value judgments from both disciplines, for to predict, analyze and model the economic phenomena and includes theoretical ethical premises and foundations of economic systems.

Therefore, this work is an economic ethics research, not an ethics one, because the economic disciplines accounting and statistics are combined with ethics. More than that, it is no doubt that, accounting research papers are not necessarily accounting ethics papers because not every social or critical accounting paper must be an accounting ethics paper (Babalola et al., 2022).

The connection between statistics and accounting is a concern for many authors. First (Săvoiu, 2012) asks the question what, but especially how, can we write about statistical thinking to make it increasingly applied in accounting? What are the nature and essence of statistics? The accounting sphere of action covers two dimensions: horizontally, at economic entity level (microeconomic), and vertically, at national level (macroeconomic).

The accounting organized at microeconomic level has as object of study the economic entity patrimony, which consists of all the economic assets and sources of capital. The accounting organized at macroeconomic level defines the flows of economic and financial operations on national level.

The object of study of statistics is represented by the mass phenomena, which can be variables as an individual form of expression in time, in space and organizationally.

Accounting is one of those areas that apparently has little in common with statistics. Both business accounting and national accounting aim at summarizing the financial situation of an organization during a specific time period. Their concepts and principles, coping with similar problems, are analogous. The main difference lies in the labels of these activities. At the level of the business firm they are called financial or cost “accounting”. At the national level they are called macroeconomics, and occasionally as well as “economic statistics” (Winkler, 2009).

Both statistical and accounting data-setting systems provide a framework to identify, record, classify, and summarize economic activities of entities. Methods, principles, techniques and concepts in accounting or statistics can be valued in achieving high ethical parameters in the study of history. By proper use of accurate accounting methods or tools, it is possible to make progress in the historical understanding of phenomena (Băluță, 2018).

## **2. Empirical evidence**

Starting from this point of view, I have tried to understand what kind of connection exists between accounting and statistics in the current historical stage of a conform accounting: is it a *univocal relationship* (accounting serves to statistics or statistics serves accounting) or is it a *biunivocal relationship of reciprocity*?. The answer to this questions is biunivocal relationship of reciprocity, but to understand it is necessary to find, in order, univocal relationship (accounting serves to statistics or statistics serves accounting).

### **2.1. Evidence: statistics serves accounting (univocal relationship)**

The accounting organized at microeconomic level has as object of study the economic entity patrimony, which consists of all the economic assets and sources of capital. In this respect, patrimony is studied using the accounting method. The accounting method comprises a set of principles, processes and tools that forms a whole and with the help of which the patrimony of an economic entity, its state and movement are studied in order to grasp the relationships between the economic elements and, on this basis, to determine the final results.

Given the close relationship of accounting with other scientific disciplines, the tools are grouped in three categories: tools common to all sciences (observation, reasoning, comparison, analysis, synthesis), tools common to economic sciences (documentation, evaluation, calculation, inventory), and specific tools (balance sheet, account, trial balance).

The object of study of statistics is represented by the mass phenomena, which can be variables as an individual form of expression in time, in space and organizationally. By the way of expressing a characteristic (variable), we distinguish qualitative characteristics which are expressed through words, and quantitative characteristics that are expressed numerically and which give the data concept to statistics.

The statistics data represent concrete measurements obtained from observations, measurement, counting and calculations, a fact which leads us to believe that statistics can be considered a tool of the accounting method common with other economic sciences (univocal relationship statistics serves accounting (Bebeșelea & Patache, 2019).

#### **For example**

In the microeconomic level is calculated the ratio of tax burden reporting all taxes, contributions and fees paid to the general budget and local budgets<sup>1</sup> to the turnover in the calculation of. It is an important indicator that is calculated at entity level and representative of the size of an economic entity.

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<sup>1</sup> All taxes, contributions and fees paid to the general budget and local budgets are registered in accounting in the accounts of groups 43 and 44, from the general chart of accounts in force.

Being a survey research which is closely related to statistical hypothesis testing, the hypothesis of what is to come verified is called the null hypothesis, denoted by  $H_0$ . The hypothesis that is tested against the null hypothesis is called the alternative hypothesis, denoted by  $H_1$ . The alternative hypothesis will be accepted when the null hypothesis is rejected, and vice versa.

For measuring the perception of economic entities on the system of taxes due, used data collected with the questionnaire from a sample of 23 economic entities, with fields of activity trade, construction, manufacturing, services (Bebeșelea, 2012). In this research that formed two distinct groups, group who have a favorable image and the group who have an unfavorable image, and the null hypothesis ( $H_0$ ) is that facility tax on reinvested profit tax does not significantly influence the investment decision of economic entities, and was accepted.

This means that the perception of economic entities on the system of taxes due in Romania is as excessive taxation, leading to discourage investment, suspension of economic entities.

## 2.2. Evidence: accounting serves statistics (univocal relationship)

The accounting organized at macroeconomic level studies the flows of economic and financial operations at national level, operations related to the gross domestic product (GDP), the size and composition of the stocks, the financial relations between different branches of the national economy and banking units, the added value at national level and the gross national surplus. All this information on macroeconomic indicators is published in the statistical yearbook, and therefore we can identify accounting as a source of information for statistics.

Then, these indicators represent variables of various econometric models used to demonstrate the link between them and economic development. The economic development implies the economic growth itself, there is no economic development process, without an increase of the macroeconomic results on long term.

### For example

There are econometric models used to demonstrate the existence of a connexion between the fiscal policy and the economic development. The fiscal policy, as part of the economic policy of the State includes the set of methods, techniques, principles relating to operations, relations, institutions and rules specific for determining and levying the taxes, the fees and the contributions, materializing the state options, at a given time in this area.

The first as model (Bebeșelea et al., 2012) based on simple regression function, and has as variables fiscal policy indicators: fiscal pressure, the share of public expenditure in GDP and the budgetary balance in GDP can be variables of such a model. The results obtained emphasize the following:

1. between gross domestic product evolution and fiscal pressure evolution, there is an inverse relationship, in the sense that a decrease of the fiscal system level determines in time a growth of the gross domestic product per capita level;
2. between the gross domestic product evolution and public expenses evolution there is an inverse relation in the sense that a public expenses decrease determines in time a growth of gross domestic product per capita level;
3. between gross domestic product evolution and budgetary balance evolution, there is an inverse relation, in the sense that a decrease of the budgetary shortage determines in time a growth of the gross domestic product per capita level.

The second as model (Trandafir & Bebeșelea, 2017) based on simple regression function too, and has as variables fiscal policy indicators: GDP and investment expenditures. The results of this research showed that the correlation between investment expenditures and

gross capital formation is positive. It means that investment expenditures have a major impact on the economic development in general, and on the business, in particular, with significant impact on attracting foreign capital, which is reflected by the level of foreign direct investment in the economy.

In conclusion, both models appreciate that the economic development process can be influenced through fiscal policies measures taken by the governmental authorities.

### **2.3. Evidence: relationship of reciprocity (biunivocal)**

National accounting is a source in collection of statistical information, and statistics can be considered, for the accounting organized at microeconomic level, a tool of the accounting method. In addition to that, statistics is a tool for accounting and substantiating the decision applied in accounting. That is because the statistical survey, make it possible, not only to determine an entity's financial situation a certain time, but also to produce estimates on the future events (decisions), based on some known data.

One of the methods used in the statistical survey in data analysis is the discriminant analysis, based by accounting informations from annual financial statements. Discriminant analysis is a technique that can be used to create discriminant statistical models for determination the financial status of the organization and early detection of the risk of bankruptcy. So, the quality accounting information has to be based on the satisfaction of as many users as possible (Bebeșelea, 2014). In this case one of them is the manager.

#### **For example**

The variables of a model built on the basis of discriminant analysis are selected to explain and to differentiate economic entities in good financial condition from bankrupt ones. This variables are a series of financial ratios, closely correlated with the health/weakness of the firms.

Following the combination of these discriminant variables, results a synthetic indicator called Z "score", the linear function of the Z score being empirical, focused on the company's ability to prevent bankruptcy. So, this function provides the manager a way of establishing the overall situation of his organization.

In a study composed of 27 economic entities declared as family businesses and registered in the Family Business Network Romania Association (Bebeșelea & Trandafir, 2022) was calculated the function of the risk of bankruptcy Z score, as:  $Z = 1,281 \cdot V8 + 1,879 \cdot V16 + 0,386 \cdot V32$

Where:

$V8$  = Permanent capital / Total liabilities

$V16$  = Total Debts / Total Liabilities

$V32$  = Added Value / Total Asset

The decisive rule is as follows:

Appreciation Range:  $Z < 1$ : Safe Zone - Very low probability of bankruptcy, for 11 of them;  $1 < Z < 1.8$ : Unsafe zone - Risk of average bankruptcy, for 13 of them;  $Z > 1.8$ : Risky Area- High probability of corporate bankruptcy, for 3 of them.

### **Conclusions**

I would conclude with the conviction that between accounting and statistics there is a biunivocal relationship, a mutual dependency. First, there is univocal relationship, such as national accounting (organized at macroeconomic level) is a source in collection of statistical informations, and statistics can be considered, for the business accounting (organized at microeconomic level) a tool of the accounting method, and then statistics substantiating the decision applied in accounting.

These evidences which was demonstrated the biunivocal relationship of reciprocity between accounting and statistics, in fact are empirical evidence of economic ethics research. How? For to predict, analyze and model the economic phenomena (financial situation of organization) it uses statistical models, based on financial informations, whose quality respects accounting ethics.

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