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Navigating Life's Challenges: The Role of Locus of Control in Shaping Self-Esteem in Undergraduate Students

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This study explores the idea of locus of control, which refers to individuals' beliefs about the extent to which they have control over the events in their lives. An internal locus of control implies that individuals believe they can influence their outcomes through their own actions, while an external locus of control suggests that external factors predominantly dictate their life events. It is hypothesized that adult self-esteem may be predicted by locus of control. Another investigation is that the locus of control and self-esteem may differ significantly between genders. Two hundred and fifty participants were recruited in the study who are between the ages of 18 to 30. The measures used were the Rosenberg Self-esteem Scale (Rosenberg, 1965) and Rotter's Locus of Control Scale (Rotter, 1966). The regression analysis and independent t-test were used to perform statistical analyses. The findings revealed that adult self-esteem would be predicted by locus of control, and that there were significant gender differences in both self-esteem and locus of control. The outcomes have vital implications for counselors and mental health practitioners in developing interventions aimed at improving self-esteem by promoting and strengthening internal locus of control among young adults.

***Keyword**:* Psychological factors, locus of control, self-esteem, gender differences, control beliefs, self-perception

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1. Introduction

Artificial intelligence has emerged as one of the most transformative technological developments influencing modern business practices. Across industries, organizations are increasingly adopting artificial intelligence-based systems to improve operational efficiency, strengthen decision-making processes, manage complex datasets, and enhance analytical precision (Devianto, 2022). In accounting, auditing, and financial reporting, artificial intelligence is reshaping conventional practices through intelligent automation, predictive analytics, anomaly detection, and algorithm-assisted reporting systems (Odinaka et al., 2020; Amir et al., 2025). These technological advancements have significantly altered the manner in which accounting information is generated, analyzed, verified, and communicated. As a result, artificial intelligence is no longer viewed as a distant technological possibility but as an increasingly integrated component of contemporary accounting practice. The growing adoption of artificial intelligence in accounting has created substantial opportunities for organizations and professionals. Intelligent systems are capable of automating repetitive accounting activities, identifying irregularities in financial records, accelerating audit procedures, and improving the analytical quality of financial evaluations (Peng et al., 2023; Shaukat et al., 2025). Artificial intelligence-driven applications also enhance decision support by processing large and complex datasets that traditionally required extensive human effort and time. Within financial reporting environments, such systems contribute to greater consistency, reduced operational errors, improved timeliness, and more informed analytical judgment. Owing to these advantages, many organizations are transitioning toward technology-oriented accounting systems in which professional decisions are increasingly supported by algorithm-based tools and intelligent technologies.

Artificial intelligence systems do not operate independently of organizational structures and human interpretation. Their effectiveness and reliability depend heavily on the quality of data inputs, model design, algorithmic logic, user interpretation, and governance arrangements (Janssen et al., 2020; Zafar et al., 2025). These concerns become particularly important in accounting and financial reporting environments, where professional skepticism, reliability, integrity, and ethical conduct are fundamental requirements. In the absence of effective governance mechanisms, artificial intelligence systems may become opaque, weaken accountability structures, reduce human oversight, and create opportunities for the misuse of financial reporting processes (Ahmed et al., 2025; Karim et al., 2025; Azenzoul et al., 2026). Consequently, the critical issue is not merely whether artificial intelligence improves accounting efficiency, but whether it does so in a transparent, responsible, and ethically grounded manner. Artificial intelligence governance controls refer to the policies, structures, procedures, and monitoring mechanisms established to regulate the development, interpretation, implementation, and use of artificial intelligence systems within organizations. In accounting contexts, these controls are intended to encourage responsible use, improve the interpretability of algorithmic outputs, strengthen accountability, and maintain appropriate human supervision over artificial intelligence-assisted decisions. Accountability represents the existence of clearly defined responsibilities and review procedures associated with artificial intelligence-supported decisions (Gerdes, 2024; Ali et al., 2025; Liapis et al., 2026). Oversight reflects the degree of human monitoring and professional control maintained within artificial intelligence-driven accounting processes.

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Earnings management intention refers to the tendency of individuals to manipulate accounting judgments, estimates, disclosures, or reporting timing to achieve preferred financial outcomes. Traditionally, earnings management has been associated with weak internal controls, reporting pressure, opportunistic managerial behavior, and inadequate governance systems (Gooda et al., 2025; Hashmi et al., 2025). However, the emergence of artificial intelligence-assisted accounting environments introduces additional complexities to this issue. On one hand, artificial intelligence systems may strengthen monitoring mechanisms, improve internal controls, and enhance the detection of reporting irregularities. On the other hand, weak governance over intelligent systems may increase informational opacity, reduce accountability, and justify questionable reporting practices through excessive reliance on algorithmic outputs (Lu, 2020; Audi et al., 2022; Biswas & Sarkar, 2026). Therefore, understanding the role of artificial intelligence governance controls in reducing earnings management intention has become increasingly important within modern accounting environments. At the same time, the relationship between governance mechanisms and reporting behavior is unlikely to operate solely through technical or procedural channels. Ethical decision-making also plays a central role in shaping professional conduct within accounting settings. Ethical decision-making refers to the ability and willingness of accounting professionals to act honestly, responsibly, fairly, and in accordance with professional and moral standards. In artificial intelligence-assisted environments, accounting professionals are frequently required to determine whether artificial intelligence-generated recommendations should be accepted, questioned, or rejected based on ethical considerations and professional judgment. Strong governance controls may promote ethical decision-making by increasing transparency, reinforcing accountability, and preserving human oversight within artificial intelligence-supported systems. Consequently, ethical decision-making may function as an important mechanism through which artificial intelligence governance controls influence earnings management intention (Saeed, 2025; Ebrahim & Karim, 2025).

Artificial intelligence systems operate under strong governance structures characterized by transparency, accountability, and oversight. Accounting professionals are more likely to exercise ethical judgment and less likely to engage in manipulative reporting behavior (Lehner et al., 2022; Sreseli & Kadagishvili, 2023; Dek & Ibrahim, 2025). In contrast, weak governance arrangements may increase uncertainty, reduce accountability, and create conditions that encourage opportunistic financial reporting practices (Celestin, 2015). Therefore, investigating the relationship between artificial intelligence governance controls, ethical decision-making, and earnings management intention represents an important and timely research issue in the contemporary accounting environment. Although the adoption of artificial intelligence in accounting and financial reporting has accelerated rapidly, the understanding of how governance arrangements surrounding artificial intelligence influence professional reporting behavior remains limited. Previous studies have largely focused on the efficiency, analytical capabilities, and operational advantages of artificial intelligence technologies, while comparatively little attention has been devoted to examining whether artificial intelligence governance controls can reduce earnings management intention through the enhancement of ethical decision-making. This creates a significant empirical and theoretical gap concerning whether transparency, accountability, and oversight within artificial intelligence-supported accounting systems can strengthen ethical judgment and discourage manipulative reporting behavior. Accordingly, the present study addresses this gap by examining the influence of artificial

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intelligence governance controls on earnings management intention, while investigating the mediating role of ethical decision-making within this relationship.

1. Literature Review

The existing literature increasingly recognizes the transformative role of artificial intelligence in accounting, auditing, and financial reporting. Recent studies have particularly focused on how artificial intelligence technologies improve reporting quality, disclosure transparency, operational efficiency, and audit effectiveness. One notable study examined the influence of artificial intelligence adoption on the quality of Management Discussion and Analysis disclosures among Chinese listed firms between 2010 and 2023. Using text analysis techniques, the study demonstrated that firms implementing artificial intelligence technologies produced disclosures with improved readability, accuracy, and transparency, thereby strengthening the accessibility of financial information for stakeholders (Li, 2025). The findings contributed significantly to the literature by illustrating how digital transformation can enhance the technical dimensions of financial reporting quality. However, although the study emphasized the positive reporting outcomes associated with artificial intelligence adoption, it did not examine how governance mechanisms surrounding artificial intelligence systems shape professional behavior or influence earnings management intentions. The archival design also limited the study's ability to investigate how accountants perceive artificial intelligence governance controls in practice. Consequently, while the study provided important evidence regarding reporting improvements associated with artificial intelligence adoption, it also highlighted the need for primary empirical research examining governance structures, ethical considerations, and behavioral outcomes within artificial intelligence-enabled accounting environments (Li, 2025).

Similarly, prior research investigating artificial intelligence adoption within the auditing profession has highlighted both technological opportunities and governance-related concerns. Through qualitative interviews with experienced audit professionals, one study revealed that although less sophisticated artificial intelligence tools are increasingly used in audit procedures, the adoption of more advanced intelligent systems remains constrained by concerns relating to transparency, explainability, algorithmic bias, and regulatory uncertainty (Kokina et al., 2025). The study further noted that organizations remain cautious regarding full-scale artificial intelligence implementation due to insufficient governance safeguards and unresolved ethical concerns. While this research contributed valuable insights into auditors' perceptions of technological readiness and governance challenges, it did not empirically evaluate whether specific governance controls influence ethical decision-making or reduce earnings management tendencies among accounting professionals. As a result, an important gap persists regarding the behavioral implications of artificial intelligence governance within accounting settings.

Research focusing on artificial intelligence-driven transparency and corporate governance has also expanded in recent years. A quantitative study conducted among corporate professionals in Jordan examined the relationship between artificial intelligence-based transparency and governance effectiveness within organizations. The findings revealed that artificial intelligence-supported transparency significantly improved board decision-making, disclosure quality, and risk management effectiveness (Shaban & Omoush, 2025). The study provided empirical support for the argument that artificial intelligence technologies can strengthen governance systems and improve regulatory compliance.

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Nevertheless, despite its contribution to governance literature, the research primarily concentrated on organizational transparency and governance efficiency rather than on the role of governance controls in discouraging unethical reporting behavior. Specifically, the study did not investigate whether governance mechanisms such as oversight and accountability reduce earnings management intentions among accounting professionals. Consequently, although the findings confirmed the governance benefits of artificial intelligence implementation, the behavioral consequences of artificial intelligence governance remained insufficiently explored (Shaban & Omoush, 2025).

Theoretical contributions to artificial intelligence governance have also gained considerable scholarly attention. One important framework proposed an Artificial Intelligence Governance Framework in Finance that integrates compliance monitoring, ethical safeguards, transparency mechanisms, and accountability procedures directly into artificial intelligence-enabled accounting systems (Okeke & Abel, 2026). The authors argued that governance systems must evolve proactively to address the increasing risks associated with artificial intelligence-assisted financial decisions. However, despite offering a strong conceptual foundation, the study remained normative and theoretical in nature and did not empirically examine how governance controls affect the behavioral intentions of accounting professionals (Shobande et al., 2020). More specifically, the framework did not investigate whether governance mechanisms reduce the willingness of accountants to engage in earnings management or other unethical reporting practices.

Bibliometric and review-based studies have further reinforced the existence of this research gap. A comprehensive bibliographic review examining the integration of artificial intelligence and accounting information systems across studies published between 2017 and 2025 identified major themes including audit quality, disclosure transparency, information asymmetry, and corporate governance (Omar et al., 2026). The review demonstrated that artificial intelligence-related accounting research has expanded rapidly, particularly in areas associated with big data analytics and audit process optimization. Nevertheless, the analysis also revealed that governance mechanisms, ethical frameworks, and behavioral implications remain underrepresented within existing scholarship. According to the review, most studies examining earnings management and artificial intelligence rely heavily on archival evidence while providing limited empirical evidence regarding how governance controls influence ethical intentions among accounting professionals. Therefore, the review strongly supports the argument that the relationship between artificial intelligence governance and earnings management intention remains insufficiently examined within existing literature (Ben Ahmed, 2026).

Several studies focusing on auditing technologies have also emphasized the importance of governance and oversight within artificial intelligence-enabled environments. Research exploring artificial intelligence implementation in auditing highlighted how intelligent systems improve efficiency in routine activities such as transaction verification, data processing, and anomaly detection (Kokina et al., 2025). At the same time, the study acknowledged concerns relating to transparency, explainability, excessive technological dependence, and governance preparedness. The authors argued that the successful implementation of artificial intelligence within auditing requires strong regulatory oversight, transparent algorithmic processes, and effective human-artificial intelligence collaboration practices. However, the study did not empirically examine whether such governance mechanisms reduce auditors' tendencies toward manipulative financial reporting or unethical behavior. Consequently, although artificial intelligence technologies

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may improve audit efficiency and effectiveness, the influence of governance controls on earnings management behavior remains unclear (Singh et al., 2025).

Additional empirical evidence regarding the effects of artificial intelligence on reporting quality was provided through cross-sectional survey research involving accountants, auditors, and financial managers from publicly listed companies. The study found that artificial intelligence adoption positively influenced fraud detection, financial statement preparation, tax compliance, and overall reporting quality (Alhazmi et al., 2025). Despite these findings, the study concentrated primarily on technical improvements associated with artificial intelligence implementation and did not examine whether governance controls influence ethical reporting behavior or earnings management intention. As a result, the behavioral implications of governance structures within artificial intelligence-supported accounting environments remained unaddressed.

The importance of governance in preventing unethical reporting has also been widely recognized within traditional corporate governance literature. Earlier archival studies demonstrated that stronger governance mechanisms, particularly board independence and audit committee effectiveness, significantly reduce earnings management practices within organizations (Xie et al., 2003). These findings explain that governance structures characterized by oversight and accountability discourage manipulative reporting behavior. Although these studies were conducted before the widespread integration of artificial intelligence into accounting environments, their conclusions provide an important theoretical foundation for understanding the likely influence of artificial intelligence governance controls. Nevertheless, existing governance literature has not adequately examined whether similar deterrent effects operate within artificial intelligence-assisted accounting systems. Consequently, there remains a critical need to investigate whether governance mechanisms such as transparency, accountability, and oversight influence ethical behavior and reporting intentions in technology-driven accounting environments (Xie et al., 2003).

Research examining technology-assisted professional judgment also provides important insights relevant to the current study. Experimental studies investigating the impact of advanced information technologies on auditor judgment found that although intelligent systems improve analytical performance, they may also create automation bias, whereby professionals excessively rely on technological recommendations despite contradictory evidence (Braswell et al., 2015). Similar concerns were raised in studies examining predictive analytics and big data technologies within auditing contexts, where excessive dependence on algorithmic outputs was identified as a potential threat to professional skepticism and ethical judgment (Brown-Liburd et al., 2015). While these studies highlighted the importance of governance, interpretability, and human oversight, they did not empirically examine how governance controls affect ethical decision-making or earnings management intention. Therefore, the literature continues to lack empirical evidence linking governance structures to behavioral outcomes in artificial intelligence-enabled accounting settings.

Ethical concerns surrounding artificial intelligence implementation have also received growing scholarly attention. Comprehensive reviews of artificial intelligence integration in accounting and auditing have emphasized issues such as algorithmic opacity, accountability deficiencies, overreliance on automation, and the ethical risks associated with intelligent systems (Agustí & Orta-Pérez, 2023). Similarly, theoretical studies grounded in ethical theory and stakeholder perspectives have argued that artificial

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intelligence systems may facilitate unethical practices such as earnings smoothing, reporting manipulation, and reduced accountability if appropriate governance mechanisms are absent (Coovadia et al., 2025). These studies generally recommend stronger oversight structures, transparent governance frameworks, and regular auditing of artificial intelligence systems. However, most remain conceptual and do not provide empirical evidence regarding whether governance controls actually influence accountants' ethical intentions and reporting behavior.

The significance of accountability and transparency within artificial intelligence systems has also been supported by broader organizational research. Studies investigating algorithmic accountability found that explainability, transparency, and accountability mechanisms improve trust in artificial intelligence systems and increase the perceived fairness of algorithmic decisions among professionals (Nugroho & Wibowo, 2025). Similarly, large-scale organizational surveys revealed that companies with clearer governance systems experience fewer trust-related and ethical concerns associated with artificial intelligence adoption (Ransbotham et al., 2017). Although these findings support the importance of governance structures in shaping professional interactions with intelligent technologies, they do not directly examine accounting professionals or earnings management behavior within financial reporting settings.

Existing studies have rarely examined whether artificial intelligence governance controls directly influence earnings management intention or whether ethical decision-making mediates this relationship within accounting environments. Most prior studies have either focused on technical efficiency, conceptual governance frameworks, or general organizational outcomes without empirically investigating the behavioral implications of governance controls among accounting professionals. Accordingly, the present study addresses this gap by empirically examining the relationship between artificial intelligence governance controls, ethical decision-making, and earnings management intention within artificial intelligence-supported accounting settings.

2. Theoretical Framework

Within the context of artificial intelligence-enabled accounting systems, governance controls are conceptualized through the dimensions of transparency, accountability, and oversight. These dimensions collectively represent the mechanisms through which organizations regulate the development, interpretation, implementation, and monitoring of artificial intelligence technologies in accounting and auditing settings (Batool et al., 2025). Transparency refers to the extent to which artificial intelligence-generated outputs and decision processes remain understandable, traceable, and explainable to accounting professionals. Accountability reflects the existence of clearly defined responsibility structures and review mechanisms associated with artificial intelligence-assisted reporting decisions. Oversight represents the continued involvement of human professionals in supervising, validating, and critically evaluating artificial intelligence-generated outcomes before they influence accounting judgments and reporting decisions (Torrance & Tomlinson, 2023). Rather than functioning as isolated dimensions, these mechanisms collectively form a broader governance structure intended to ensure the responsible and ethical use of artificial intelligence technologies within financial reporting environments (Birkstedt et al., 2023).

The governance mechanisms influence reporting behavior through their impact on ethical decision-making among accounting professionals. Ethical decision-making represents the

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extent to which accountants demonstrate honesty, fairness, integrity, and professional responsibility while interacting with artificial intelligence-supported systems in accounting processes (Ford & Richardson, 1994). The literature explains that governance structures capable of strengthening transparency, preserving accountability, and maintaining human oversight can improve professional skepticism and reduce unquestioning reliance on automated outputs. As a result, accountants operating within well-governed artificial intelligence environments are more likely to exercise careful judgment and adhere to professional ethical standards (Craft, 2013).

Earnings management intention refers to the tendency of accounting professionals to manipulate accounting judgments, disclosures, estimates, classifications, or reporting timing to achieve preferred financial outcomes (Jones, 2013; Sayal & Singh, 2020). Intelligent systems may either strengthen control environments or, in the absence of effective governance, facilitate unethical reporting practices by increasing informational complexity and reducing direct accountability. Therefore, earnings management intention represents an appropriate behavioral outcome through which the effectiveness of artificial intelligence governance controls can be evaluated (Lan et al., 2015; Kuziemski & Misuraca, 2020). Such controls reduce ambiguity surrounding artificial intelligence-generated outputs, improve trust in reporting processes, and discourage irresponsible or opportunistic use of intelligent systems. In accounting settings where reporting judgments may significantly affect organizational outcomes, governance arrangements that strengthen transparency and accountability are expected to encourage higher ethical standards among professionals (Lehner et al., 2022; Guan et al., 2022). Governance literature consistently emphasizes that strong control environments reduce unethical reporting behavior by strengthening monitoring systems, reinforcing accountability, and limiting opportunities for manipulation (Saeed, 2025). Within artificial intelligence-supported accounting systems, mechanisms such as audit trails, transparent decision structures, accountability frameworks, and continuous human supervision are expected to reduce the likelihood of manipulative financial reporting practices (Lan et al., 2015; Hanoon et al., 2025; Al Balushi, 2021). Governance controls not only reduce manipulative reporting behavior directly, but also indirectly by improving the ethical quality of professional judgment among accountants (Grebe et al., 1989; Wolski, 2017).

Based on the theoretical relationships identified in the literature, artificial intelligence governance controls are modeled as a multidimensional construct comprising transparency, accountability, and oversight. The conceptual relationship can therefore be expressed as:

$$AIGC=f(TRN,ACC,OVS) \quad (1)$$

Where:

AIGC=Artificial Intelligence Governance Controls
TRN=Transparency
ACC=Accountability
OVS=Oversight

The framework further proposes that artificial intelligence governance controls positively influence ethical decision-making among accounting professionals. This relationship is represented as:

$$EDM_i=\alpha_o+\alpha_1 AIGC_i+\varepsilon_{1i} \quad (2)$$

Where:

EDM=Ethical Decision-Making
α_o=Intercept Term

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α_1=Coefficient of Artificial Intelligence Governance Controls
ε_{1i} =Error Term
The direct relationship between artificial intelligence governance controls and earnings management intention is represented as:
$EMI_i=\beta_0+\beta_1 AIGC_i+\varepsilon_{2i}$ (3)
Where:
EMI=Earnings Management Intention
β_0=Intercept Term
β_1=Coefficient of Artificial Intelligence Governance Controls
ε_{2i}=Error Term
To evaluate the mediating role of ethical decision-making, the mediation model is specified as:
$EMI_i=\gamma_0+\gamma_1 AIGC_i+\gamma_2 EDM_i+\varepsilon_{3i}$ (4)
Where:
γ_0=Intercept Term
γ_1=Direct Effect of Artificial Intelligence Governance Controls
γ_2=Effect of Ethical Decision-Making
ε_{3i}=Error Term
The indirect mediating effect of ethical decision-making is estimated as:
Indirect Effect=$\alpha_1 \times \gamma_2$
Mediation is supported when the indirect effect is statistically significant, indicating that artificial intelligence governance controls influence earnings management intention through ethical decision-making.
For empirical estimation using survey data, artificial intelligence governance controls may be operationalized as a composite index derived from transparency, accountability, and oversight measures:
$AIGC_i=\frac{TRNi+ACCi+OVSi}{3}$ (5)
This specification provides a parsimonious and theoretically coherent representation of the proposed relationships while maintaining consistency with the conceptual foundations identified in the literature.
The study employed a quantitative research design using structured questionnaire-based primary data collected from accounting professionals, auditors, and finance-related respondents familiar with artificial intelligence applications in accounting and financial reporting environments. A total of 250 valid responses were obtained through convenience and purposive sampling techniques to ensure the inclusion of participants with relevant professional knowledge and experience. The collected data were coded and analyzed using SPSS. The empirical analysis included descriptive statistics, reliability analysis, Pearson correlation analysis, multiple regression analysis, and mediation analysis to examine the relationships among artificial intelligence governance controls, ethical decision-making, and earnings management intention.

3. Results and Discussion

Table 1 presents the descriptive statistics of the study variables based on 250 valid observations, indicating the availability of a complete and reliable dataset for empirical analysis. The findings demonstrate that the respondents generally perceived artificial intelligence governance controls to be moderately strong within accounting and financial

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reporting environments. The dimensions of transparency, accountability, and oversight exhibited relatively balanced distributions, explaining that these governance mechanisms collectively contribute to the broader governance structure surrounding artificial intelligence implementation. Among these dimensions, accountability appeared slightly more pronounced, implying that respondents attached particular importance to responsibility and review mechanisms in artificial intelligence-assisted accounting systems. The results further indicate that ethical decision-making was observed at a comparatively favorable level among accounting professionals. This finding explains that respondents generally demonstrated adherence to professional responsibility, fairness, and ethical judgment while interacting with artificial intelligence-supported systems. In contrast, earnings management intention remained comparatively lower, reflecting a reduced tendency toward manipulative financial reporting behavior within the sampled environment. This pattern provides preliminary support for the theoretical assumption that stronger governance environments may be associated with more ethical professional conduct and lower reporting manipulation tendencies. The distributional properties of the variables also indicate satisfactory normality conditions. The skewness and kurtosis values remained within acceptable statistical thresholds, confirming the absence of serious deviations from normal distribution. Therefore, the descriptive results explain that the dataset is statistically appropriate for further inferential and multivariate analyses.

Table 1: Descriptive Statistics of the Study Variables

Variable	N	Mean	SD	Minimum	Maximum	Skewness	Kurtosis
Transparency	250	3.484	0.582	1.750	5.000	-0.168	-0.318
Accountability	250	3.504	0.582	1.750	5.000	-0.288	0.036
Oversight	250	3.472	0.592	1.750	5.000	-0.149	-0.201
AI Governance Controls (AIGC)	250	3.487	0.534	1.833	4.750	-0.239	-0.229
Ethical Decision-Making (EDM)	250	3.534	0.487	2.000	4.800	-0.035	0.045
Earnings Management Intention (EMI)	250	2.362	0.643	1.000	4.400	0.169	0.219

Table 2 presents the reliability analysis of the study constructs using Cronbach's alpha coefficients to assess the internal consistency of the measurement scales. The findings indicate that all constructs achieved reliability values above the commonly accepted threshold, confirming that the measurement items consistently captured their intended theoretical dimensions. The dimensions of transparency, accountability, and oversight demonstrated satisfactory levels of internal consistency, explaining that the items associated with artificial intelligence governance controls were conceptually stable and statistically reliable. These results support the appropriateness of combining these dimensions within the broader framework of artificial intelligence governance controls. The construct measuring ethical decision-making also demonstrated acceptable reliability, indicating that the scale adequately reflected the ethical orientation, professional responsibility, and judgment of accounting professionals in artificial intelligence-supported environments. Furthermore, earnings management intention exhibited the strongest level of internal consistency among all study variables, explaining that the items

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measuring manipulative reporting tendencies were highly coherent and stable across respondents. The comparatively stronger reliability of this construct enhances confidence in the consistency of the behavioral responses associated with financial reporting intentions. The acceptable reliability levels across all constructs indicate that the collected data are suitable for subsequent inferential analyses, including correlation analysis, regression estimation, and mediation testing. These findings strengthen the methodological validity of the study and support the robustness of the empirical framework employed in examining the relationships among artificial intelligence governance controls, ethical decision-making, and earnings management intention.

Table 2: Reliability Analysis of Study Constructs

Construct	Number of Items	Cronbach's Alpha	Reliability Status
Transparency	4	0.721	Acceptable
Accountability	4	0.705	Acceptable
Oversight	4	0.741	Acceptable
Ethical Decision-Making	5	0.706	Acceptable
Earnings Management Intention	5	0.842	Good

Table 3 presents the correlation among artificial intelligence governance controls, ethical decision-making, and earnings management intention. The findings reveal that artificial intelligence governance controls are positively and significantly associated with ethical decision-making, indicating that stronger governance environments characterized by transparency, accountability, and oversight are linked with higher levels of ethical judgment and professional responsibility among accounting professionals. This relationship explains that well-structured governance mechanisms encourage more responsible interactions with artificial intelligence-supported accounting systems and strengthen ethical awareness within financial reporting processes. The results further demonstrate a significant negative relationship between artificial intelligence governance controls and earnings management intention. This finding implies that stronger governance structures surrounding artificial intelligence systems are associated with lower tendencies toward manipulative financial reporting behavior. The presence of governance mechanisms such as human oversight, accountability frameworks, and transparent decision structures appears to discourage opportunistic reporting practices and reinforce responsible financial conduct. This outcome is consistent with the theoretical expectation that effective governance environments reduce opportunities for unethical reporting behavior. Similarly, ethical decision-making exhibits a significant negative association with earnings management intention, explaining that accounting professionals demonstrating a stronger ethical orientation are less likely to engage in manipulative reporting activities. This relationship highlights the importance of professional ethics in limiting unethical financial practices within artificial intelligence-assisted accounting environments.

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Table 3: Correlation Matrix

Variables	AIGC	EDM	EMI
AI Governance Controls (AIGC)	1.000	0.434	-0.504
Ethical Decision-Making (EDM)	0.434	1.000	-0.434
Earnings Management Intention (EMI)	-0.504	-0.434	1.000

Note: $^{**}p < .001$

Table 4 presents the model summary results of the regression analyses examining the relationships among artificial intelligence governance controls, ethical decision-making, and earnings management intention. The findings indicate that all estimated regression models are statistically significant, confirming the overall explanatory relevance of the proposed theoretical framework. The significance of the models demonstrates that artificial intelligence governance controls and ethical decision-making meaningfully contribute to explaining variations in professional reporting behavior within artificial intelligence-supported accounting environments. The first regression model shows that artificial intelligence governance controls provide a meaningful explanation of ethical decision-making among accounting professionals. This finding explains that governance mechanisms such as transparency, accountability, and oversight play an important role in strengthening ethical judgment and professional responsibility in accounting processes involving artificial intelligence technologies. The results support the theoretical expectation that well-governed artificial intelligence environments encourage more responsible and ethically grounded professional conduct. The second model demonstrates that artificial intelligence governance controls also explain a substantial proportion of the variation in earnings management intention. This outcome indicates that stronger governance arrangements surrounding artificial intelligence systems are associated with lower tendencies toward manipulative financial reporting behavior. The findings reinforce the argument that governance mechanisms reduce opportunities for unethical reporting practices by strengthening accountability and monitoring structures. The third model reveals an increase in explanatory power when ethical decision-making is incorporated alongside artificial intelligence governance controls. This improvement explains that ethical decision-making contributes additional explanatory value in understanding earnings management intention. The findings provide preliminary evidence supporting the mediating role of ethical decision-making within the relationship between artificial intelligence governance controls and earnings management intention, indicating that governance structures influence reporting behavior not only directly but also through their impact on ethical professional judgment.

Table 4: Model Summary of Regression Analysis

Model	Dependent Variable	Predictors	R	R^2	Adjusted R^2	F	p-value
Model 1	Ethical Decision-Making	AIGC	0.434	0.189	0.185	57.640	< .001
Model 2	Earnings Management Intention	AIGC	0.504	0.254	0.251	84.620	< .001
Model	Earnings Management	AIGC,	0.559	0.312	0.306	55.900	< .001

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3	Intention	EDM					

Table 5 presents the regression coefficient results examining the direct and combined relationships among artificial intelligence governance controls, ethical decision-making, and earnings management intention. The findings provide strong empirical support for the proposed theoretical framework and confirm that governance structures surrounding artificial intelligence systems significantly influence both ethical behavior and reporting intentions within accounting environments.

The first regression model examined the effect of artificial intelligence governance controls on ethical decision-making. The findings reveal a positive and statistically significant relationship, indicating that stronger governance mechanisms substantially improve the ethical orientation of accounting professionals. This result explains that governance structures characterized by transparency, accountability, and human oversight encourage greater professional responsibility, ethical awareness, and critical judgment in artificial intelligence-supported accounting processes. In practical terms, accounting professionals operating within well-governed artificial intelligence environments appear more likely to question automated outputs, maintain professional skepticism, and adhere to ethical reporting standards. These findings are consistent with prior studies emphasizing that transparent and accountable governance systems strengthen ethical conduct by reducing ambiguity and improving trust in decision-making environments (Craft, 2013; Lehner et al., 2022). The result also aligns with the argument that governance controls preserve the role of human judgment in technologically advanced accounting systems and reduce excessive dependence on algorithmic recommendations (Kuziemski & Misuraca, 2020). Therefore, the findings provide strong empirical support for the proposition that artificial intelligence governance controls positively influence ethical decision-making among accounting professionals.

The second regression model investigated the direct effect of artificial intelligence governance controls on earnings management intention. The results demonstrate a strong negative and statistically significant relationship, indicating that stronger governance arrangements reduce the likelihood of manipulative financial reporting behavior. This finding implies that organizations implementing robust governance mechanisms surrounding artificial intelligence systems are less vulnerable to opportunistic accounting practices, selective reporting, and intentional manipulation of financial outcomes. Governance tools such as audit trails, accountability procedures, transparent reporting structures, and continuous human monitoring appear to constrain unethical reporting incentives and strengthen reporting discipline. These findings support the broader governance literature, which consistently argues that effective monitoring systems and accountability structures reduce opportunities for unethical financial behavior (Saeed, 2025). The results are also consistent with previous studies emphasizing that governance frameworks play a critical role in limiting misuse of artificial intelligence technologies within accounting and auditing functions (Hanoon et al., 2025; Al Balushi, 2021). Furthermore, the findings reinforce the argument that artificial intelligence technologies alone do not automatically improve reporting integrity unless supported by effective governance structures capable of regulating their implementation and use. Consequently, the results confirm that artificial intelligence governance controls significantly reduce earnings management intention among accounting professionals.

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The third regression model examined the combined influence of artificial intelligence governance controls and ethical decision-making on earnings management intention. The findings reveal that both variables remain statistically significant predictors, indicating that ethical decision-making contributes independently to reducing manipulative reporting tendencies even after controlling for governance structures. The persistence of the significant governance effect explains that artificial intelligence governance controls directly discourage unethical reporting behavior through stronger monitoring, transparency, and accountability mechanisms. At the same time, the significant negative effect of ethical decision-making indicates that accountants demonstrating stronger ethical judgment are less likely to engage in earnings manipulation practices. This finding highlights the importance of individual professional ethics alongside institutional governance arrangements in shaping financial reporting behavior.

The results further explain that the influence of governance mechanisms on earnings management intention operates not only through structural controls but also through improvements in the ethical quality of professional judgment. In artificial intelligence-assisted accounting environments, ethical decision-making becomes particularly important because professionals must evaluate, interpret, and critically assess algorithm-generated outputs before incorporating them into financial reporting processes. Strong ethical orientation, therefore acts as an additional safeguard against opportunistic reporting behavior and excessive reliance on automated systems. These findings are consistent with prior research emphasizing the importance of ethical accountability and human oversight in technology-supported decision-making environments (Grebe et al., 1989; Wolski, 2017). The results also support arguments presented in ethical governance literature that governance frameworks become more effective when they reinforce ethical awareness and professional responsibility among decision-makers rather than relying solely on procedural controls (Ford & Richardson, 1994).

Table 5: Regression Coefficients

Model	Predictor	B	Beta	t-value	p-value
Model 1	Constant	2.152	—	11.692	< .001
Model 1	AIGC	0.396	0.434	7.592	< .001
Model 2	Constant	4.481	—	19.233	< .001
Model 2	AIGC	-0.608	-0.504	-9.199	< .001
Model 3	Constant	5.236	—	18.739	< .001
Model 3	AIGC	-0.469	-0.389	-6.639	< .001
Model 3	EDM	-0.351	-0.265	-4.530	< .001

Table 6 presents the mediation analysis results examining the indirect and direct effects of artificial intelligence governance controls on earnings management intention through ethical decision-making. The findings indicate that the indirect effect is statistically significant, confirming that ethical decision-making partially mediates the relationship between artificial intelligence governance controls and earnings management intention. This result explains that governance mechanisms embedded within artificial intelligence-supported accounting systems influence reporting behavior by strengthening the ethical orientation of accounting professionals. Governance structures characterized by transparency, accountability, and oversight appear to encourage more responsible

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professional judgment, which subsequently reduces tendencies toward manipulative financial reporting practices.

The significance of the indirect pathway demonstrates that ethical decision-making functions as an important behavioral mechanism linking governance structures with reporting outcomes. In accounting environments increasingly influenced by intelligent systems, professionals are frequently required to interpret, validate, and critically evaluate artificial intelligence-generated outputs before integrating them into reporting processes. Strong governance controls, therefore, reinforce ethical awareness by preserving human judgment and discouraging unquestioning reliance on automated recommendations. These findings are consistent with earlier studies emphasizing that ethical governance frameworks improve professional accountability and reduce the likelihood of unethical organizational behavior (Ford & Richardson, 1994; Craft, 2013). The findings also support arguments that transparency and accountability mechanisms within artificial intelligence systems strengthen ethical reasoning and professional skepticism among decision-makers (Kuziemski & Misuraca, 2020; Lehner et al., 2022).

The direct effect of artificial intelligence governance controls on earnings management intention also remains statistically significant after the inclusion of ethical decision-making in the model. This outcome confirms the existence of partial mediation, indicating that governance mechanisms influence reporting behavior through both direct and indirect channels. From a structural perspective, governance arrangements such as audit trails, accountability systems, continuous oversight, and transparent decision structures independently reduce opportunities for manipulation and opportunistic reporting practices. These mechanisms limit the misuse of artificial intelligence-generated outputs and strengthen organizational monitoring processes, thereby discouraging unethical reporting behavior. This finding is strongly aligned with governance literature explaining that effective control environments reduce financial manipulation by reinforcing accountability and strengthening monitoring systems (Saeed, 2025; Hanoon et al., 2025).

The mediation findings also highlight the importance of integrating ethical considerations into artificial intelligence governance frameworks rather than relying exclusively on technological controls. The results imply that artificial intelligence governance systems become more effective when they not only regulate reporting procedures but also cultivate ethical responsibility among accounting professionals. Previous studies similarly argue that governance structures achieve greater effectiveness when they support ethical awareness alongside operational control mechanisms (Grebe et al., 1989; Wolski, 2017). Consequently, organizations implementing artificial intelligence technologies within accounting functions should emphasize transparency, accountability, oversight, and ethics-oriented governance practices simultaneously to minimize the risk of earnings manipulation and preserve the integrity of financial reporting.

Table 6: Mediation Effects of Ethical Decision-Making

Effect	Estimate	Z-value	p-value	95% CI Lower	95% CI Upper	% Mediated
Indirect Effect (a × b)	-0.139	-3.890	0.0001	-0.215	-0.074	22.9
Direct Effect (c′)	-0.469	-6.639	< .001	-0.608	-0.330	77.1
Total Effect (c)	-0.608	-9.199	< .001	-0.738	-0.478	100.0

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Table 7 presents the path estimates associated with the mediation model and provides detailed evidence regarding the relationships among artificial intelligence governance controls, ethical decision-making, and earnings management intention. The findings indicate that the path from artificial intelligence governance controls to ethical decision-making is positive and statistically significant. This result confirms that stronger governance structures surrounding artificial intelligence systems improve the ethical orientation and professional judgment of accounting professionals. Governance mechanisms emphasizing transparency, accountability, and human oversight appear to create an organizational environment that encourages ethical awareness, professional skepticism, and responsible reporting behavior. The positive relationship between artificial intelligence governance controls and ethical decision-making explains that governance structures play an essential role in maintaining the integrity of accounting decisions in technologically advanced reporting environments. Artificial intelligence systems may increase operational efficiency and analytical capability, but without effective governance arrangements, they may also reduce human judgment and increase excessive dependence on automated outputs. The findings therefore reinforce the argument that governance controls are necessary to preserve accountability and ensure that accounting professionals remain actively involved in evaluating artificial intelligence-generated information. These results are consistent with previous studies highlighting the importance of governance mechanisms in promoting ethical conduct and reducing ambiguity in technology-assisted decision-making environments (Craft, 2013; Lehner et al., 2022). Similar conclusions were also emphasized by Kuziemski and Misuraca (2020), who argued that transparent and explainable artificial intelligence systems enhance professional trust and ethical responsibility.

The path linking ethical decision-making with earnings management intention is negative and statistically significant, indicating that stronger ethical orientation among accounting professionals reduces the likelihood of manipulative reporting behavior. This finding explains that ethical judgment functions as an important safeguard against opportunistic financial practices within artificial intelligence-supported accounting systems. Professionals demonstrating stronger commitment to honesty, fairness, and professional responsibility appear less willing to distort accounting information or engage in misleading reporting activities. This outcome supports prior accounting ethics literature, which consistently emphasizes that ethical awareness reduces the tendency toward financial manipulation and unethical reporting behavior (Ford & Richardson, 1994; Lan et al., 2015). The result also reinforces the argument that technological advancement alone cannot ensure reporting integrity unless supported by strong ethical standards among accounting professionals.

The direct path between artificial intelligence governance controls and earnings management intention also remains negative and statistically significant. This finding demonstrates that governance structures independently reduce earnings manipulation tendencies even after accounting for the mediating influence of ethical decision-making. Mechanisms such as oversight procedures, accountability frameworks, transparent reporting systems, and human review protocols appear to constrain unethical reporting opportunities and strengthen reporting discipline within artificial intelligence-assisted accounting environments. These findings are highly consistent with governance research explaining that effective control systems reduce the probability of opportunistic behavior

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by increasing accountability and improving monitoring efficiency (Saeed, 2025; Al Balushi, 2021). Previous studies on artificial intelligence governance similarly argue that responsible governance structures are essential for preventing misuse of intelligent technologies in financial reporting settings (Hanoon et al., 2025).

Table 7: Path Estimates for Mediation Analysis

Path	Relationship	Estimate	p-value
A	AIGC → EDM	0.396	< .001
B	EDM → EMI	-0.351	< .001
c′	AIGC → EMI (direct effect)	-0.469	< .001

4. Conclusion

The study examined the relationship between artificial intelligence governance controls, ethical decision-making, and earnings management intention within artificial intelligence-supported accounting environments. The analysis was conducted using quantitative data collected from 250 observations, and the relationships were examined through descriptive statistics, reliability analysis, correlation analysis, regression analysis, and mediation analysis. The findings demonstrate that artificial intelligence governance controls significantly improve ethical decision-making among accounting professionals. Governance mechanisms such as transparency, accountability, and oversight encourage stronger professional responsibility, ethical awareness, and careful judgment in financial reporting activities. The results further indicate that artificial intelligence governance controls significantly reduce earnings management intention, suggesting that stronger governance environments discourage manipulative reporting practices and opportunistic financial behavior. Ethical decision-making was also found to negatively influence earnings management intention, confirming that accountants with a stronger ethical orientation are less likely to engage in financial manipulation. Moreover, the mediation analysis revealed that ethical decision-making partially mediates the relationship between artificial intelligence governance controls and earnings management intention, indicating that governance structures reduce unethical reporting behavior both directly and indirectly through the enhancement of ethical judgment. The findings suggest that organizations implementing artificial intelligence technologies in accounting and auditing should establish strong governance frameworks emphasizing transparency, accountability, and continuous human oversight. Artificial intelligence-generated outputs should remain explainable, traceable, and subject to professional review before being incorporated into financial reporting decisions. Organizations should also strengthen ethical training programs for accounting professionals to ensure that artificial intelligence systems support, rather than replace, professional judgment and ethical responsibility. Regulators and professional accounting bodies should develop clearer governance guidelines and monitoring standards for the responsible use of artificial intelligence in financial reporting practices. Future studies may extend this research by examining the role of organizational culture, industry characteristics, and technological maturity in influencing the relationship between artificial intelligence governance and reporting behavior.

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