

Improvement in Accounting Students' Perception and Judgment on Ethical Issues as They Progress Through the Accounting Curriculum

Anwar Y. Salimi
University of Laverne

Angeline Kornelus
California State Polytechnic University Pomona

Ahmed Abo-Hebeish
California State Polytechnic University Pomona

The present study used a series of questions to test students on their ethical awareness and judgment. The test was given to three groups of undergraduate accounting students at different levels of the accounting curriculum at a large state university in California. The test results from each group were tabulated based on correct or wrong answers for each question. Significant differences in the comparative percentage of correct answers among the three groups indicated that certain groups of students have better ethical perception and judgment compared to the other groups of students in the study.

INTRODUCTION

There have been studies and research conducted regarding the importance of ethics education in accounting curricula for more than two decades. These studies have surveyed the opinions of business and accounting professionals, faculty members, and students about whether ethics education should be incorporated into the accounting curriculum, and to find out how ethics education can be taught effectively. These studies indicate that business professionals and students think that there was not enough ethics education in the accounting curriculum and there is a need to increase students ethical perception through ethics education in the accounting curriculum, especially after a series of accounting scandals and fraud cases including the Enron and WorldCom cases and the resulting demise of Arthur Andersen, LLP. Business and accounting professionals believe that ethics education helps graduates make ethical decision in business settings, even though graduates ethical perception and judgment may change later on due to company socialization (Fisher, et al., 2005), (Shawver, 2006), (IFAC, 2006), (Breux, et al., 2010).

There has been increasing demand from business and accounting professionals to have a stand-alone ethics course. MacLean and Litzky (2003) state that "less than 25% of the top 50 business schools require a stand-alone ethics course". Willen (2004) mentions that only 33% of accredited business schools require an ethics course (Breux, et al., 2010). More business and accounting schools have responded to the demand for more ethics teaching by offering a stand-alone accounting course and made it a part of the

accounting curriculum, even though in many cases the stand-alone accounting course is not a required course for accounting students but rather an elective course.

There has also been widespread discussion in the accounting literature about the need to incorporate ethics education throughout the curriculum and the most effective method to teach ethics. Due to time and resources limitation in accounting curriculum, ethics education has not been incorporated into each accounting classes in the accounting curriculum (reference). Instead, ethics education is incorporated into some core and elective classes that undergraduate accounting students may take. These courses attempt to develop students' moral reasoning and improve their ethical judgment. Gunz and McCutcheon (1998) found that accounting educators were not very interested in teaching ethical issues in the classroom. Liu, Chunhui et al (2012) found that the teaching of accounting in ethics was deficient compared to ethics education in law and medicine. They found that ethics education in accounting was more code bound in terms of content.

Some studies "have indicated that education is to be a force for development of higher levels of moral reasoning" (Frank, et al., 2010) and that by implication ethics can be taught. However research by Mayhew and Murphy (2008) suggests that "ethics education does not necessarily result in internalized ethical values." Graduates may choose not to engage in unethical behavior because they are afraid of the consequences, such as penalties and professional license suspension, that result from violating code of conducts and professional ethical standards. Buell (2009) has explored the relationship between ethics education and the moral reasoning of accounting students. He finds that there is a relationship but not in the expected direction. He finds that accounting students who had completed ethics education had a lower level of moral reasoning than those that had not had ethics education. Cameron and O'Leary (2015) examined the effect of ethics education on students legal and moral judgments. They find that student's ethical judgment towards legal issues improved but not on moral issues.

The primary objective of the present research is not to test what students' motivation is for adhering to ethical standards. This study instead tests if there is significant improvement in accounting students' ethical perception and judgment as they progress thorough the accounting curriculum. This includes testing students' ethical judgment as they progress from lower division to upper division courses. The study also examines whether taking a stand alone accounting ethics course at the upper division level improves students' ethical perception.

The present study uses a series of questions to test students on their ethical awareness and judgment. The test consists of fourteen short business scenarios that accountants typically face on a daily basis. The test was given to three groups of undergraduate accounting students in different levels of the accounting curriculum at a large state university in California. These three groups are (1) ACC 304 (Intro to Accounting Information Systems) students who are in their junior year and this is their first upper division accounting course; have not taken any other accounting course that teaches ethics, but will get some exposure to ethical awareness in the class; (2) ACC 419 (Auditing Theory) students who are in their senior year, have taken the ACC 304 course, and will learn more about ethics in this introductory auditing class, (3) ACC 421 (Accounting Ethics) students who are in their senior year and are about to graduate, have taken ACC 304 and ACC 419 courses, and will learn more about ethics in this stand-alone accounting ethics course. In ACC 304, students receive some exposure to internal control and ethical scenarios. In ACC 419, students learn about auditing theory, procedures and techniques, and professional responsibilities and ethics of auditors. In ACC 421, students learn about the importance of ethics in accounting practice, frameworks for ethical decision making and professional codes of ethics in accounting through current and classic ethical cases (Cal Poly Pomona Catalog, 2014).

The test results from each group were tabulated based on correct or wrong answers for each question. The correct answers were determined in the test instrument based on Institute of Management Accountants' ethical principles and standards of ethical practice. Using statistical analysis, the study first examines if there is a significant difference in the number of correct answers by students in ACC 304 and ACC 419. Second, the study compares if there is a significant difference in correct answers by students in ACC 304 and ACC 421. Lastly, the study compares if there is significant difference in ACC 419 and ACC 421 students' ethical perception and judgment based on the comparative percentage of the correct answers

using statistical analysis. Significant difference in the comparative percentage of correct answers indicates that certain groups of students have better ethical perception and judgment compared to the other groups of students in the study.

METHODOLOGY

The present study aims to test if there is improvement in students' ethical awareness and judgment as they progress through the accounting curriculum. To achieve this goal, the authors follow the following steps to collect the survey data:

1. The authors chose a questionnaire originally published in a study by Kay Zekany in *Strategic Finance* (2007). The study presents 14 ethical dilemmas for accountants and asks respondents to choose their answers based on Institute of Management Accountants (IMA) ethical principles and standards of ethical practice. The questionnaire is a multiple-choice test that consists of fourteen short business scenarios that accountants typically face on a daily basis. The questionnaire has been extensively used at professional conferences, in corporate accounting departments, and in classes.
2. The authors chose three groups of undergraduate accounting students at different levels of the accounting curriculum at a large state university in California to give the test. These three groups are (1) ACC 304 (Introduction to Accounting Information Systems) students who are in their junior year and this is their first upper division accounting course; have not taken any other accounting course that teaches ethics, but will get some exposure to ethical awareness in the class; (2) ACC 419 (Auditing Theory) students who are in their senior year, have taken the ACC 304 course, and will learn more about ethics in this introductory auditing class, (3) ACC 421 (Accounting Ethics) students who are in their senior year and are about to graduate, have taken ACC 304 and ACC 419 courses, and will learn more about ethics in this stand-alone accounting ethics course. In ACC 304, students receive some exposure to internal control and ethical scenarios. In ACC 419, students learn about auditing theory, procedures and techniques, and professional responsibilities and ethics of auditors. In ACC 421, students learn about the importance of ethics in accounting practice, frameworks for ethical decision making and professional codes of ethics in accounting through current and classic ethical cases (Cal Poly Pomona Catalog, 2014).
3. The test results from each group were tabulated based on correct or wrong answers for each question. The correct answers were determined in the test instrument based on Institute of Management Accountants' ethical principles and standards of ethical practice. If a student chooses more than one answers for a question, his/her answer is excluded from the total qualified answers.
4. The total correct answers from each group are compared with the total qualified answers in the same group. Using statistical analysis, the study examines if there is a significant difference in the number of correct answers by students at different levels of the accounting curriculum. Significant difference in the comparative percentage of correct answers indicates that certain groups of students have better ethical perception and judgment compared to the other groups of students in the study.

HYPOTHESIS

To test if there is improvement in students' ethical awareness and judgment as they progress through the accounting curriculum, the authors propose the following hypothesis:

1. ACC 419 students have better ethical perception and judgment than ACC 304 students.
2. ACC 421 students have better ethical perception and judgment than ACC 304 students.
3. ACC 421 students have better ethical perception and judgment than ACC 419 students.

RESULTS

Hypothesis Test for the Difference between the Proportions of Two Independent Populations

Upper-tail z-test
ACC 419 vs. ACC 304

To reject the null hypothesis, the sample difference in proportions must be *significantly greater than 0*.

$$\text{Diff} = \hat{p}_{419} - \hat{p}_{304}$$
$$\text{Diff} = 33\% - 23\% = 10\%$$

TABLE 1
TEST FOR THE DIFFERENCE IN PROPORTIONS BETWEEN ACC 419 AND ACC 304

Difference in Proportions Between ACC 419 and ACC 304	z (test Statistic)	Critical Value at the 0.05 level	Significance
10%	1.3656	1.645	Not significant

There is *insufficient* evidence to *support* the claim that ACC 419 students have better ethical perception and judgement than ACC 304 students.

Hypothesis Test for the Difference between the Proportions of Two Independent Populations

Upper-tail z-test
ACC 421 vs. ACC 304

To reject the null hypothesis, the sample difference in proportions must be *significantly greater than 0*.

$$\text{Diff} = \hat{p}_{421} - \hat{p}_{304}$$
$$\text{Diff} = 39\% - 23\% = 16\%$$

TABLE 2
TEST FOR THE DIFFERENCE IN PROPORTIONS BETWEEN ACC 421 AND ACC 304

Difference in Proportions Between ACC 421 and ACC 304	z (test Statistic)	Critical Value at the 0.05 level	Significance
16%	1.7798	1.645	Significant

There is *sufficient* evidence to *support* the claim that ACC 421 students have better ethical perception and judgement than ACC 304 students.

Hypothesis Test for the Difference between the Proportions of Two Independent Populations

Upper-tail z-test
ACC 421 vs. ACC 419

To reject the null hypothesis, the sample difference in proportions must be *significantly greater than 0*.

$$\text{Diff} = \hat{p}_{421} - \hat{p}_{419}$$

$$\text{Diff} = 39\% - 33\% = 6\%$$

TABLE 3
TEST FOR THE DIFFERENCE IN PROPORTIONS BETWEEN ACC 421 AND ACC 419

Difference in Proportions Between ACC 421 and ACC 419	z (test Statistic)	Critical Value at the 0.05 level	Significance
6%	0.6862	1.645	Not significant

There is *insufficient* evidence to *support* the claim that ACC 421 students have better ethical perception and judgement than ACC 419 students.

CONCLUSION

The results from the study indicate that students' awareness of ethical issues and implications seems to increase after progressing through the accounting curriculum and taking a stand alone accounting course. Students showed more ethical awareness after taking a senior level ethics course than they did in their junior level initial upper division accounting course.

The study also indicates however that a standalone senior level ethics course did not lead to statistically significant improved results over a senior level auditing course.

Thus the overall results indicate that progressing through the accounting curriculum as well as taking a stand alone ethics course improves students ethical awareness and knowledge.

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