

## **Accounting Ethics: How to Stop the Scandals**

**Dr. Melinda Kushniroff**

Millikin University

USA

### **Abstract**

*Although research has been done in the ethics learning discipline, implementation in our colleges and universities remains lax at best. With hundreds of college accounting programs in the U.S., why is it difficult to find a college curriculum that emphasizes ethics? Most accounting degree curricula, if they offer an ethics course at all, only offer one class and that often is a small percentage of the overall curriculum – less than 3% in most cases. Yet, if someone were to ask the deans of these colleges if they believed ethics were important, they would almost all answer in the affirmative. The question then becomes why is there not the emphasis on ethics-based coursework?*

### **Introduction**

In 2004, a major public research university located in the Midwest announced that its business degree curriculum would begin emphasizing ethics across the board rather than separating ethical decision making into a single course. The rationale for this decision was that students infer from a single course on ethics that the subject is not important or they walk away without a sound ethical decision making strategy because they weren't taught how to incorporate ethics into the standard day-to-day decision making process. Therefore, curriculum planners reasoned, ethics should be taught as a part of the standard curriculum. The fact this became a news story itself illustrates there is an issue in higher education where the teaching of ethics is concerned. Research indicates that all colleges and universities should adopt this same model. Ironically, the AICPA lists a sample college curriculum for accounting on its website. During a 150 semester hour curriculum, the sample lists ethics as a part of the 60-80 hour "General Education" portion of the accounting major. No specific requirement in terms of credit hours for any of the courses is listed, but it isn't unreasonable to expect that accounting majors would only be required to take one ethics course consisting of 3 credit hours during a 150 hour degree program. However, in today's world, is that enough?

### **Loss of Faith in Accountants**

It would be an understatement to say that Americans in general have lost faith and trust in accounting firms and large corporations. This lack of trust is a natural result of the bad behavior and judgment exhibited by the likes of Enron executives and those of Arthur Andersen, WorldCom, Waste Management and the employees of other organizations that have come under fire in recent years for breaches in ethical conduct. Were they taught ethics in their college courses? Did they concern themselves with ethics during their careers? Even if students in accounting programs today receive a fair amount of ethics instruction, it is likely there will not be any common curriculum between the colleges offering the education. For example, there isn't any common core curriculum in accounting and business ethics. The National Association of State Boards of Accountancy (NASBA) has proposed that accounting majors be required to complete three courses in ethics, 9 credit hours, which would account for just 6% of the total curriculum in a 150 hour degree plan, but the biggest opponents to this proposal are academics overseeing accounting curricula at colleges and universities that offer them.

One would think that the boards of directors of major accounting firms would themselves be vocal proponents of ethics education, but, to date, that hasn't happened either. Faculty at colleges and universities typically begin to emphasize ethics directly after a major scandal takes place. After the news stories have faded and the public debate has trailed off, so, too, do the discussions regarding ethics in the classroom. Meanwhile, thousands of accounting majors continue to enter the workforce not fully prepared for the ethical decision making that will confront them.

Our accounting students today are tomorrow's CFO's, CEO's and other business and community leaders. As a result, the question is why don't more colleges include more ethics education in their curricula? Why is it that most accounting majors only require one or two courses in ethics? Why isn't there a greater professional push to remedy this situation at the university/college level?

A typical accounting major curriculum can be summed up by saying that students graduate with a full menu of technical instruction ranging from basic bookkeeping to auditing and information systems. Students learn to read a financial statement and balance sheet, where to put debits and credits, and how to save their corporate employer on taxes, but not ethics. The following course curriculum from a large, inner city Midwestern university is an example of a typical accounting major curriculum:

<b>Table 1</b>	
<b>Name</b>	<b>Credit Hours</b>
Intermediate Accounting I	4
Intermediate Accounting II	4
Intermediate Accounting III	4
Cost Accounting	4
Consolidation Accounting	4
Introduction to Taxation	4
Auditing	4

This university adds these accounting electives to the above required courses:

<b>Table 2</b>	
<b>Name</b>	<b>Credit Hours</b>
Accounting for Non-Profits	4
Fraud Examination	4
Professional Ethics	4

The question that begs to be asked here: Is four credit hours of ethics enough to prepare students for a career in accounting?

### ***Sarbanes-Oxley Act Of 2002***

The Sarbanes-Oxley Act of 2002 addresses the behavior of accounting professionals and sets legal standards for the profession with penalties for failure to comply with the law. However, a legal requirement doesn't train professionals to act ethically. It only provides a framework for punishing those who fail to do so. In order to ensure compliance with the law among accounting professionals, there also needs to be some instruction in ethical decision making at the college level. There needs to be more than 3 or 4 credit hours of instruction and, like the curriculum at the major public research university located in the Midwest, it needs to be integrated into the technical areas of instruction as opposed to set apart in a separate class where students can easily forget what they learn once they've completed the course and moved on. Furthermore, if the one course that is required is completed as a freshman and students spend three more years preparing for their careers, how can anyone expect that they'll have learned how to make ethical decisions if there is no follow up or reinforcement? Research at the major, public university in the Midwest has proven that ethics courses make students lead to more ethical behavior.

In January 2007, David F. Bean and Richard A. Bernardi, in an article titled "Accounting Ethics Courses: Do They Work?" published in *The CPA Journal Online*, cited a study that concluded that an accounting ethics course can increase a person's ethical sensitivity as measured by Rest's Defining Issues Test. If this is the case, then why do critics of such courses claim there is no evidence that ethics courses lead to more ethical behavior? While such courses do not guarantee more ethical behavior, they certainly can enhance one's knowledge of ethics. Professional ethics can be learned and it can be taught. It must either be taught in the classroom, before accountants and other professionals enter the workforce, or it must be taught on the job. Preferably, accounting graduates will know ethics before they are challenged with a real-life ethical dilemma. Ideally, that would be the case. Additionally, if one course in ethics increases one's ethical sensitivity, how much more so would three courses in ethics? Or four for that matter?

In her article "Making Ethics a Pervasive Component of Accounting Education", Connie Esmond-Kiger discusses how she uses self-reflective essays and other classroom assignments in her accounting classes to get students to think about ethical decision making.

She says the result has been a greater sensitivity to ethical concerns among her students and that she has actually seen it result in some students making some right decisions while in her class when faced with a real ethical dilemma. If similar assignments can be incorporated as a standard curriculum in all accounting courses, or at a minimum incorporated as additional classes in an accounting curriculum, then future accountants may be spared the embarrassment of involvement in a scandal and the punishment that comes with it. At the very least, a deep level of ethical sensitivity in future accountants should be instilled in students so that unethical behavior may be reported sooner and more quickly than in the past. Many institutions of higher learning make a point to emphasize in their mission statements they train members of the accounting profession to be ethical leaders. This is perhaps one of the most often cited benefits of an accounting degree. If such an emphasis is indeed on the forefront of educators' priorities, then why aren't more classroom hours devoted to ethics training in accounting curricula?

These questions are not meant to be critical of institutions of higher learning. They are intended to open up the dialogue and foster more discussion on the necessity of ethics in accounting curricula. Ultimately, the decision to require more ethics training for college students seeking a degree in accounting rests in the hands of deans and accounting curriculum planners as well as employers who will be hiring college graduates. One would hope that ethics would be a major concern for companies that seek professional accountants. The behavior of these professionals is a direct reflection upon the values of the company they work for as well as its reputation. To a somewhat lesser though important degree, the behavior of working accountants is a reflection of the education and training they received while in college and a direct reflection of that college's reputation as a training institution. One would think that reputation protection, if anything, would be a motivating factor in a decision to include more ethics training for future accountants.

How much training should someone studying to be an accountant receive? At a minimum, students should receive at least 9 credit hours of ethics training. Preferably, there would be one course on ethics for each year of college and discussions on ethics in each of the classes within the core accountancy curriculum. One cannot conceivably receive too much training in ethics thus a survey was done of the appropriate accounting students and accounting firms to assess their thoughts and opinions regarding ethics.

### ***Survey Methodology***

Because of the type of survey initiated in this study, the researcher determined that a sample survey of intangibles would provide the most valid and useful information. However, a sample survey of intangibles can provide a most challenging type of survey (Ary et al., 2006). This type of survey seeks to not only measure attitudes, opinions, values, or other psychological and sociological constructs, but also the skills involved in identifying or constructing appropriate measures and employing the scores on these measures to make meaningful statements about the constructs involved (Ary et al., 2006). Surveys of intangibles are limited by the fact that the data collected is only indirectly measuring the variables with which they are concerned. However, since the seriousness of this limitation depends on how well the survey measures the intangible variable, this study reduced this limitation by a thorough review and measurement process by the researcher.

Basic guidelines were used to formulate good questions. The guidelines are as follows:

1. Questions were relatively short, simple and direct.
2. Questions were phrased so that every respondent could understand them.
3. Questions were phrased to elicit unambiguous answers.
4. Questions were phrased to avoid bias that may have predetermined a respondent's answer.
5. Questions were avoided that might be misleading because of unstated assumptions.
6. Leading questions, which imply a desired response, were avoided.
7. Questions that could elicit embarrassment, suspicion or hostility in the respondent were avoided.
8. "Doubled-barreled" questions that attempted to ask two questions in one were avoided.
9. Alternatives to each questionnaire item were exhaustive.
10. The questionnaire was kept brief and easy to complete.
11. The respondents were given the information necessary to answer the questions (Ary et al., 2006).

The research was used to gather an adequate sample survey of intangibles from several national public accounting firms, regional accounting firm management and accounting students from various universities.

Data was collected and stored in secure internet-based files for electronic data and a fireproof file cabinet for any paper data. Data was stored electronically on password protected flash drives, by research question and was coded very quickly after receipt, so subjects could not be identified directly or indirectly through identifiers. Anonymity was imperative in order to not conflict with state and/or federal laws and regulations. SurveyMonkey was used with the reasoning that e-mailing invitations to people to take the survey was that a link was created to the survey thereby again preserving anonymity when someone responded to the research questions rather than receiving a return e-mail response which may identify the respondents. As this information was being gathered and used by the researcher, no discussion or divulging of the information gathered was done where the anonymity of the respondents' was compromised in any form. Moreover, as indicated previously, the use of a survey system allowed the gathering of information to be done in an efficient and anonymous manner as well. All subjects were over the age of 18 and able to make competent decisions regarding participation in the dissertation study. However, as noted above, anonymity of the students, faculty and others was guaranteed.

### **Results and Analysis**

Examining and surveying the importance of teaching more business ethics in the accounting undergraduate program compared to four hours was accomplished by collecting data from multiple perspectives: (a) examination and survey of the importance of ethics in the business world; and (b) do executives and students in accounting programs believe that ethics is an integral part of the accounting curriculum.

#### **Research Question 1**

Research Question 1, "Do you agree with the importance of ethics in the business world?" provided the following data (n = 805): (a) *strongly agree* – 47.3%; (b) *agree* - 42.1%; (c) *no opinion* – 1.2%; (d) *disagree* – 7.1%; (e) *strongly disagree* – 2.3%.

As the statistics indicate, 89.4% of the 805 responses strongly agreed or agreed that ethics are important in the business world.

#### **Research Question 2**

Research Question 2, "Do you believe that ethics is an integral part of an accounting curriculum?" provided the following data (n = 805): (a) *strongly agree* – 70.3%; (b) *agree* - 23.1%; (c) *no opinion* – 1.3%; (d) *disagree* – 2.9%; (e) *strongly disagree* – 2.4%.

As the statistics indicate, 93.4% of the 805 responses strongly agreed or agreed that ethics are important in the business world.

### **Limitations of Study**

This study examined and surveyed respondents to SurveyMonkey questions. The invitations to participate in the SurveyMonkey data collection were limited to members of national accounting firms, regional accounting firms and accounting students. Surveys of intangibles are limited by the fact that data researchers are only indirectly measuring the variables they are concerned about (Ary et al., 2006). However, in this research study, this researcher did not see it as a serious limitation because of how well the observations measure the intangible variable (Ary et al., 2006).

### **Conclusion**

Ethics is too important for educators and employers to take lightly as the results of the survey indicate. Tomorrow's challenges will not be any less difficult than those of the past. If the accountants of the future are not taught ethics in an integrated manner then it is all but inevitable that we'll see more major corporate scandals and more ethical compromise. There is no better motivation than that of putting tomorrow's leaders through rigorous ethical sensitivity training today. This can, however, be achieved by the meeting of the minds of the universities and the accounting firms in terms of next steps.

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## **Appendix A**

Invitation and Informed Consent  
Melinda C. Kushniroff

February 1, 2010

Dear Student and/or Fellow Accountant:

I am making contact to ask for your brief participation in a research paper regarding the teaching of ethics at the university level and the hesitancy to address the issue. The objective of the researcher is to determine if there is a general tentativeness to address the ethics issue and whether it exists within the universities or the accounting firms.

*Your name or any other personally identifying marks will not be attached to any of the data. The data will be taken from SurveyMonkey and will be kept in a locked and protected location in the investigator’s office. All data gathered and presented will be reported in aggregate. No single response will be identified in any project report.*

*Further, your participation in this study is entirely voluntary, involving no risk to your physical or mental health beyond those encountered in everyday life, and you may refuse to participate or withdraw from this study at any time without consequence or coercion. Participation in this study is confidential and only the researcher listed above will have access to identity due simply to the e-mailing of this invitation. Confidentiality will be maintained in the degree permitted by the technology used. No guarantees can be made regarding the interception of data sent via the internet by any third parties.*

*The benefits of participation include advancement of the scholarship of teaching. For questions or synopsis of findings, please contact Melinda C. Kushniroff at [mkushniroff@millikin.edu](mailto:mkushniroff@millikin.edu).*

**This is a simple process. Simply, click on this link:**

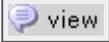
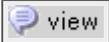
[http://www.surveymonkey.com/s.aspx?sm=rATYKHkjjyHXoih4Uu1fww\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=rATYKHkjjyHXoih4Uu1fww_3d_3d)

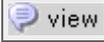
**and complete the survey. When you are done with the survey, click on “Done” and it will be submitted to SurveyMonkey for further analysis by the researcher. My goal is conclude data collection by January 15 or sooner so your prompt response is greatly appreciated. Following this process constitutes your consent to participate in this study. All I ask of you is 10-15 minutes of your time.**

**Thank you.**

**Melinda C. Kushniroff  
Millikin University**

**Exhibit B  
Response Summary – SurveyMonkey**

1. Age of Respondents:			
		Response Count	
 view		805	
<i>answered question</i>		805	
<i>skipped question</i>		0	
2. Gender of Respondents:			
		Response Count	
 view		805	
<i>answered question</i>		805	
<i>skipped question</i>		0	
1. Do you agree with the importance of ethics in the business world?			
		Response Percent	Response Count
Strongly agree		47.3%	381
Agree		42.1%	339
No opinion		1.2%	9
Disagree		7.1%	58
Strongly disagree		2.3%	18
 view Other Comments and Reflections			89
<i>answered question</i>			805
<i>skipped question</i>			0

2. Do you believe that ethics is an integral part of an accounting curriculum?			
		Response Percent	Response Count
Strongly agree		70.3%	566
Agree		23.1%	186
No opinion		1.3%	10
Disagree		2.9%	23
Strongly disagree		2.4%	20
 Other Comments and Reflections			99
		<i>answered question</i>	805
		<i>skipped question</i>	0

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**This is a simple process. Simply, click on this link:**

[http://www.surveymonkey.com/s.aspx?sm=rATYKHkjyHXoih4Uu1fww\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=rATYKHkjyHXoih4Uu1fww_3d_3d)

**and complete the survey. When you are done with the survey, click on "Done" and it will be submitted to SurveyMonkey for further analysis by the researcher. My goal is conclude data collection by January 15 or sooner so your prompt response is greatly appreciated. Following this process constitutes your consent to participate in this study. All I ask of you is 10-15 minutes of your time.**

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