

Chapter 28

Ethical Sensitivity and Ethics Education: Case of Accounting Students

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Introduction

After the recent corporate scandals in the USA and Europe, there are calls from various professional bodies for a greater emphasis on ethics education. It is claimed that these scandals clearly indicate the need to instill the ethical values in the students on the importance of ethics and increased attention has also been directed toward the teaching of business ethics [1]. It is believed that if the ethics education is properly incorporated in the curriculum, it can make a difference to the attitudes and behavior of the students who are the future managers [2]. According to [3], ethical thinking is a generic competence and ideally should be part of every curriculum. However, there is also the consideration that, even if ethics education is effective in achieving such goals, this may only have a short-term impact [3]. Thus, it is a challenge for the educators and universities to ensure that the accounting curriculum adopted is able to prepare the students for their professional careers in accounting [4]. [5] support this view by stating that members of professional accounting bodies worldwide acknowledged that ethics should be part of the accounting curriculum just like any other accounting technical skills.

In addition, it is claimed that measuring students' ethical sensitivity on whether they are given a chance to make ethical decisions or whether they have encountered ethical dilemmas or ethical challenges is important to ensure that accounting students are properly developing adequate ethical reasoning skills within their undergraduate curriculum [6]. There are limited studies which focus on accounting students' ethical sensitivity. Hence, this study attempts to explore the ethical sensitivity of these accounting students. This study is further supported by [7] who argues that if socialization into the accounting profession actually begins during the collegiate

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years, it is important to the profession that undergraduate accounting students' ethical reasoning skills are properly measured and understood. In addition, [8] states that research on ethical attitudes of future accountants is critical for practitioners, as it may alert them to potential problems resulting from low levels of ethical development among potential employees.

Related Literature

Business ethics as a subject has received a great deal of attention in recent years. The issues have ranged from what constitutes ethics to possible methods of altering ethical beliefs. Perhaps, the most widely examined topic in business ethics, and ethical behavior in general, involves the factors contributing to individual differences in ethical beliefs [9]. It is claimed that taking a course in ethics appears to improve students' ethical sensitivity and belief that ethical behavior is associated with successful business outcomes [10]. This is important because according to [11], in today's legalistic society, what is morally correct is often confused with what is legally correct. In many instances, this may present a conflict between adhering to the code of ethics and doing what some may perceive as proper ethical behavior, that is, when the ethic course can provide the guidelines on what is ethically right and wrong. This is supported by an earlier study which claims that, even if individuals have a well-developed sense of "what is right," these personal ethical values may still come into conflict with each other or with organizational and professional codes or rules. The inclusion of ethics in accounting courses can give students guidance as to how to deal with these situations [3].

However, many students do not perceive business ethics curriculum as having a direct or obvious relationship or importance to business as might other business classes such as management or finance. Reasons for ethics education should be stressed from the start, and reinforced throughout the course, as to why business ethics is an important topic [12]. [12] further elaborate that to motivate these students to learn about ethics and behave ethically, one approach is to "sell" them on the importance of ethics in business and its relevance to their success. This is supported by [13] who admit that ethics education is encouraged and valued at most institutions. In addition, it is claimed that while many facets of one's ethical personality are determined during adolescence, this ethical personality continues to change and develop well into adulthood; therefore, in order "to function ethically in professional situations, one requires special education and preparation" in conjunction with one's professional training [14].

[15] reports that the most important objective of ethics education is to disrupt students' perceptions about their profession, themselves, and the impact that their actions, as accountants, have on other individuals. In addition, [16] noted that an assessment on the effectiveness of ethics instruction could be made regarding the students' ability to (1) identify alternative responses to a moral situation, (2) identify the effects of various moral alternatives on various stakeholders, (3) evaluate the

ethical implications related to a particular accounting issue, or (4) rely on various ethical principles. Reviews have revealed that ethical conduct and education are critical to modern society, the business world, and the accounting profession. When lapses in ethical behavior by accountants occur, the profession's credibility is endangered [17].

[18] further revealed that while the absence of more broadly educated accountants has likely hurt the profession in a number of areas, they believe that inadequate ethics education is among the most critical failures. The statement is further supported by a study carried out by [19], which revealed that accounting students were more willing to engage in questionable activity (padding expense accounts, pressure from brokerage firms to recommend inferior investment products, price fixing within contract bids, inappropriate Christmas gifts to purchasing agents, and illegal copying of computer software) than were their business counterparts.

Discussing on the challenges, [15] claims that there are a number of different ways in which students' ethical awareness can be disrupted as students are encouraged to appreciate the impact of their routine practices on other people. He further expressed that one of the initial challenges of accounting education is to develop a broader appreciation of the function of accounting as a context against which the moral aspects of this practice can be explored. However, as real ethical situations are often more ambiguous than those scenarios used in ethics education programs, and thus mere recognition may not be the important variable in terms of effectiveness of ethics education, individuals might look to others in their environment to guide their behavior [20]. Regardless of at what stage ethics education takes place, the post-Enron era has presented an opportunity for critical advances in ethics education and one in which professional accounting bodies ought to have a role [5]. Furthermore, the importance of the work environment on ethical behavior raises the issue of the role of professional accounting bodies in not only providing professional accreditation courses for university graduates but also the provision of ongoing professional development activities in ethics education [5].

Research Method

Data used in this study was collected using primary source. Questionnaires were distributed and interviews were conducted to better understand the issue of the study. The questionnaire used in this research was adapted from [21, 5, 8, 7]. Questionnaires were distributed to the whole population of 120 final-year accounting students at a public university in Malaysia. About 114 questionnaires were returned and usable for the study. The questionnaire consists of three sections. The first section attempts to solicit information about the importance of ethical acts to the accounting students. Ethical scenarios are given in the second section of the questionnaire to measure the ethical sensitivity of accounting students. And the last section seeks information about the respondents' sociodemographic. The respondents were required to answer based on a five-point Likert scale (1, strongly disagree, to

Table 28.1 Students' perception on importance of ethics

	Min.	Max.	Mean	Std. dev
A company's first priority should be employee morale	1	5	3.82	.732
To remain competitive in a global environment, business company will have to maintain ethics and social responsibility	2	5	3.90	.638
A person should make certain that their actions never intentionally harm another even to a small degree	2	5	3.89	.738
Being ethical and socially responsible is the most important thing a person can do	1	5	3.93	.737
Questions of what is ethical for everyone can never be resolved since it is up to the individual	1	5	3.83	.901

5, strongly agree). In addition, interviews were conducted to get further insight on their ethical sensitivity. Twelve final-year accounting students were chosen randomly for in-depth interviews (these were selected among those who answered the questionnaires). The interview took about 20 min each.

Results and Discussions

Descriptive Statistics

The analysis of the profile indicates that more than majority (75 %) of the respondents are female and 25 % of the respondents are male. About 42 % of the respondents are Malays, 53 % are Chinese, and the balance is Indian. More than 38 % of the respondents have CGPA between 3.51 and 4.00. Another 44 % of the respondents have CGPA between 3.01 and 3.50, and the balance (18 %) has CGPA below 3.00.

Table 28.1 presents the students' perception on the importance of ethics to them. Generally, the mean score for the statements in this table is above 2.5 in the 5-point Likert scale. They appear to understand the importance of ethics, but this score of more than three but less than four indicates that they are taking a moderate approach. This result is similar to the findings of earlier studies by [22] and [23]. They find that the students would not prefer to indulge in unethical behavior, but majority of them opt to be on the safe side by neither act unethically nor blow the whistle. This highlights the importance of the educators and faculties in instilling the ethic values in the learning processes at the universities.

Table 28.2 presents the students' response to the scenarios to measure their ethical sensitivity. Overall, the results indicate that (in each scenario) more than majority of the students strongly disagreed and disagreed with the unethical conducts in the scenarios. However, there are about 17–30 % of the students who choose to take the neutral position, and about 6–20 % of the respondents agreed with the unethical act, but none decide to strongly support the unethical acts.

Table 28.2 Students’ ethical sensitivity

	Mean	Std. dev	Strongly disagree and disagree (%)	Neutral (%)	Agreed (%)
An executive earning RM100, 000 a year exaggerated his expense account by about RM3,000 a year. Do you agree with the executive’s action?	2.21	0.867	65	29	6
Because of pressure from his brokerage firm, a sharebroker recommended a type of share that he did not consider being a good investment. Do you agree with the sharebroker’s action?	2.11	0.870	75	17	8
A small business received one-fourth of its gross revenue in the form of cash. The owner reported only one-half of the cash receipts for income tax purposes. Do you agree with the owner’s action in reporting the revenue?	2.20	0.942	72	17	11
A company paid a RM100 000 “consulting” fee to an official of a foreign country. In return, the official promised assistance in obtaining a contract that will produce RM5 million profits for the contracting company. Do you agree with the company’s action?	2.43	0.968	54	30	16
A company Chairman found that a competitor had made an important scientific discovery, which would sharply reduce the profits of his own company. He then hired a key employee of the competitor in an attempt to learn the details of the discovery	2.58	1.072	54	26	20

Interviews

Twelve students are selected randomly for interviews. Among others, they are asked about their opinion on the ethic course that they have attended during the semester. Eight of the students claim that classroom studies help them in giving the guidelines on what is ethical and what is unethical, but it is not adequate to prepare them to face the working life. This is due to the fact that sometimes students do not actually

get to see the importance of ethics, and most of the time they just want to score well in exams. Among others, they state that:

Ethic course provides us the guidelines as to what is ethical and what is unethical, but it may not adequately prepare students for suitable mindset to face the dilemmas ...emm...we can't really prepare for the real world dilemmas because the real world is going to be different.

In the real world, things are complicated, and not easy to solve.

However, four other interviewees disagree, and two of them stress that it depends on how the class is conducted. If the students are exposed to real-world scenarios and related discussions, then it will be effective. The other two interviewees think that it depends on how ethical an individual wants to be.

In addition, they also share the impact of ethics course on them. Nine of them admit that it has created an impact on their ethical values. Some of them agreed that now they are able to determine whether a given issue is ethical or not ethical. They admitted that all this while they were doing things without thinking and most of the times they tend to follow others. They comment that:

I think I'm more ethical now because most of the time we don't actually realize we are facing ethical dilemmas; now I think I know what is ethical and what is not. It has created an impact.

I am more conscious now, as I know which one is right and wrong.

I think I am more ethical now, I think twice before I do anything.

Yes, there is an impact, not to say that I am more ethical, but now there is awareness.

However, the other three interviewees had different thoughts on this. They claim that:

I think ethical value comes from your own self, not based on the past ten weeks of classes.

Interviewees are also asked to compare the impact of their practical training and ethic course on their ethical sensitivity. Six of them agree that ethic education has a better impact, while five students think that practical training provides a better exposure and impact on ethics and one interviewee claims that it depends solely on a person's belief and ethical values. Those who feel ethic course gives a better impact commented that:

I think the classroom studies have better impact. As now we have done our practical training, we can relate what we are studying to what we have faced earlier. Before this, we did things without knowing the theory or relevance behind it. More inputs are given in class.

I think classes are more important. During practical training, I was unaware of some of my actions. But now in class I get a better exposure. I think ethics classes should be held first before we go for training.

However, the other five interviewees with different opinion have stated that practical training has given them a better impact. Among others, they claim that:

I think practical training is more effective because in classes we tend to assume when we face problems it is easy to react ethically but in fact when we really face the situation, it is different. So it is more about us. And it is important for classes to be conducted on discussion basis.

Practical training gives us the opportunity to apply the knowledge and face the real world, but the ethic class just give us the basic guidelines.

However, one of the interviewee, Mr. A, thinks that it depends solely on how the class is being conducted or how strong is the ethical values of a firm. If the classes are not giving enough exposure or if the firm fails to instill the ethical values, a positive impact cannot be created.

Besides the comparison, they are also asked whether their undergraduate studies, including the training and ethics classes, have prepared them to deal with ethical issues in working environment. Most of them agree that it has created a baseline but it is not adequate for them to face the working world. They feel that ethics is not about something to be learned in 4 years. It is more of experience; they can only face the challenge when they face the situation. They comment that:

We have covered the theory part, but when it comes to the real working world so many things to be looked for. I think it also depends on the students themselves, if they know what it is to be ethical then they can face the working world.

Conclusion

This study explores the importance of ethical sensitivity and ethical exposure among accounting students. The statistical results appear to suggest that the final-year accounting students possess moderate ethical sensitivity. They claim that their ethics classes have created an impact on their ethic values. They also admit that their undergraduate studies have prepared them to a certain extent to deal with the issue of ethics. However, more exposure and experience will be needed to apply the theories, lessons, and knowledge learned in the 4 years of studies. In addition, some students point out that it also depends on individual ethic values and how ethical one wants to be.

There are some limitations in this study that may have implications in interpreting the results. The interviews were conducted with only 12 final-year students. Opinion and feedback from more interviewees may provide better findings. The perception of students and lecturers from both private and public universities may be obtained in future study. Further research may also be conducted by examining the pre and post effect of ethics education.

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