

Accounting Ethics and Education: A Response

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ABSTRACT. In this article we review the principal directions that an American Accounting Association committee has taken in the past three years to encourage the teaching of ethics in accounting programs and/or courses in higher education. We also (1) briefly comment on the place of accounting ethics in both higher education and continuing professional education and (2) provide some brief final comments.

In October 1987 the National Commission on Fraudulent Financial Reporting (Treadway Commission) in its "Report," noting that inclusion of ethics in accounting programs at colleges and universities was at a minimum, recommended increased coverage of accounting ethics in such programs.¹ That "Report" included an abstract of a study which suggested that, in general, ethics was not receiving extensive coverage in accounting education.² Subsequent independent studies confirmed this finding.³

Concerned with this recommendation of the National Commission on Fraudulent Financial Reporting regarding accounting ethics and likely other factors that suggested the importance of ethics education in accounting, the American Accounting Association (AAA) in 1988 established a "Project on Professionalism and Ethics."⁴ This project, which is

expected to last five years and has received a commitment of financial support from a number of public accounting firms and corporations, is guided by an AAA committee (the committee).⁵ During the first three years of its existence the committee has worked to promote accounting ethics education.

In this article we review the principal directions that the committee has taken in its first three years to encourage the teaching of ethics in accounting programs and/or courses in institutions of higher education. More specifically, to date the committee's efforts have had the following two main thrusts: (1) to provide educational programs and seminars on the teaching of accounting ethics, and (2) to develop material for use in teaching ethics in accounting courses and programs.⁶ A description of these two principal activities of the committee are presented in the next two sections. This is followed by a brief discussion of the place of accounting ethics in both higher education and continuing professional education (CPE). We then provide some brief final comments.

Programs and seminars

There are a number of important problems associated with teaching ethics in accounting that have been discussed elsewhere.⁷ One problem that is particularly crucial is that most accounting instructors usually do not have the training or preparation to teach ethics.⁸ This problem is not new. In July 1964, writing in *The Journal of Accountancy*, Grimstad raised questions about the preparation of accounting faculty to teach ethics.⁹ By 1988 the preparation of accounting faculty, in general, to teach ethics had essentially not changed and thus became a key focus of the committee's efforts. To prepare faculty to teach accounting ethics, the committee has sponsored or co-sponsored programs relating to the teaching of accounting ethics.¹⁰

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Annual seminar

The flagship program sponsored by the committee is an “annual seminar” which usually includes among the participants a number of accounting educators as well as — depending on the year — a small number of ethicists and some individuals from public accounting, industry, and/or government.¹¹ In May 1989 the first annual seminar was held in Montvale, New Jersey; the second (May 1990) in Atlanta; the third (May 1991) in San Francisco; and the fourth is scheduled to be held in May 1992 in Bethesda, Maryland.¹² The annual seminars cover a variety of issues relating to the teaching of accounting ethics, with the principal focus on the preparation of accounting academics to teach ethics to accounting students. These annual seminars include a brief introduction to ethical theory as well as coverage of a structured approach for teaching cases that have ethical dimensions.¹³

The introduction to ethical theory, presented by an ethicist, gives seminar attendees a brief overview of some aspects of ethical theory. Also, at these annual seminars the case method is advocated as an especially useful technique for integrating ethics into accounting courses.¹⁴ We (the authors) believe that cases with ethical dimensions are particularly appropriate for integrating ethics into accounting courses. Multifaceted cases that include both accounting and ethical issues provide students with practice in analyzing, discussing, and thinking through complex and interrelated issues.¹⁵

As noted above, a structured approach for dealing with such cases is presented to annual seminar participants as a way of approaching cases and leading class discussions. Seminar participants have an opportunity to evaluate the use of cases that have ethical dimensions as an alternative pedagogy. Finally, the annual seminars include both panel sessions that include discussions on a variety of ethics-related topics (which tend to vary each year), such as academic accounting ethics, research relating to accounting ethics, and entire courses devoted to ethics and accounting and other speakers (topics and individuals may vary each year).¹⁶

Other programs

In addition to the annual seminar, the committee has been involved in other ethics-related programs. For example, in conjunction with the AAA’s Public Interest Section the committee has held both meeting “sessions” and half-day “workshops” on ethics-related topics at some recent national and regional AAA meetings.¹⁷ The meeting sessions have focused on a variety of issues usually relating to accounting ethics and/or accounting ethics education. The workshops were usually mini-seminars on teaching accounting ethics with members of the committee frequently serving as discussion leaders.¹⁸

Development of class materials

In his 1964 article, Grimstad suggested there was a dearth of appropriate materials that could be used in teaching accounting ethics.¹⁹ The committee early in its deliberations, noting the dearth of such material, undertook the task of compiling a number of cases (with corresponding instructional materials) that have both accounting and ethical dimensions. In a number of forums the committee requested both academic and non-academic accountants to submit realistic cases for this purpose.²⁰ Professor William W. May (of the School of Religion of the University of Southern California), a member of the committee, is editing cases and ideas for cases that are submitted and is also editing and/or preparing corresponding instructional materials.

This process has resulted in the AAA publishing, during the summer of 1990, a book entitled *Ethics in the Accounting Curriculum: Cases & Readings* which is edited by Professor May.²¹ When originally published in 1990, this book contained 13 cases, instructional materials relating to these 13 cases, and two readings. The book was published in a “ringed” binder so that in the future additional cases, instructional materials relating to the additional cases, and additional readings could be added. *Ethics in the Accounting Curriculum: Cases & Readings* is, at this writing, being sold by the AAA at a price that includes any additional cases, instructional materials relating to the additional cases, and additional readings that are added to the book. Such additions are,

at this writing, automatically sent to purchasers of the book.²² For example, the first "update" to the book published in 1991 contained 12 new cases and their related instructional materials as well as one reading.²³

Case material

The committee is attempting to provide cases in various areas and topics so that *Ethics in the Accounting Curriculum: Cases & Readings* can be of use in a variety of accounting courses and programs.²⁴ Cases have even been developed that can be used in teaching accounting doctoral students about ethical issues relating to the professorate.

The instructional materials that accompany the cases provide an instructor with ideas for teaching the cases. For most of the cases the instructional materials suggest a structured approach that an instructor and students might use. That approach provides an interesting and sound methodology for teaching an ethics case that should be of assistance to instructors wishing to integrate ethics cases into their courses but who have no experience in doing so. Both the authors of this article have used the approach and have found the approach to be both of assistance in teaching ethics as well as a sound technique for developing and refining thinking skills.²⁵

The cases have been and are being developed in varied lengths. Additionally, one case added in the 1991 update of *Ethics in the Accounting Curriculum: Cases & Readings* uses a role playing approach. The committee hopes to develop more cases that utilize role playing.

The committee, in conjunction with Arthur Andersen & Co., has made "available" "a video cassette" containing several accounting ethics-related cases.²⁶ These video cassettes, which may be used in various accounting courses, are currently being sold by the American Accounting Association.²⁷

Readings

Three readings are now included in *Ethics in the Accounting Curriculum: Cases & Readings* (as indicated above, two were included when the book was originally published in 1990 and one was added with the

1991 update). All three of these readings are reprints of articles that have already appeared in *Issues in Accounting Education*. Further, all three articles include discussions of pedagogical issues relating to the teaching of ethics in accounting. These readings may be of use to accounting faculty who are considering adding ethics to accounting courses and/or programs. More readings that consider pedagogical issues hopefully will be added in future updates of the book.

Place of accounting ethics education

In his 1964 article, Grimstad suggested that accounting ethics could be taught in each accounting course in an accounting program or possibly in a separate course.²⁸ To date, most of the committee's efforts have been focused on the former. Teaching ethics in each accounting course in an accounting program is perhaps the quickest way to expose the maximum number of accounting students to ethics and as noted earlier in this paper was the preference of the National Commission on Fraudulent Financial Reporting (see footnote 1). However, there are indications that independent courses in accounting ethics are beginning to be developed at some institutions of higher education. For example, one of the authors of this article teaches an independent course relating to accounting ethics and professionalism.

We (the authors) feel that the teaching of accounting ethics should not be limited to accounting courses in degree programs in institutions of higher education. The National Commission on Fraudulent Financial Reporting report indicates that continuing education for professional accountants should include consideration "of fraudulent financial reporting . . . and . . . related ethical issues."²⁹ CPA firms, corporations, and professional associations should consider including ethics and ethics-related material into existing CPE programs that are designed for professional accountants. Authors of new CPE programs under development that are designed for professional accountants should consider including ethics in their programs. Further, CPE courses on accounting ethics that are specifically designed for professional accountants might be developed.³⁰

Our (the authors) collective experience indicates

that both college students and practicing accounting professionals are interested in accounting ethics education that moves beyond the rules of a code of ethics and the code's corresponding official interpretations. Without minimizing the importance of such rules and interpretations, there is also a need for practicing professional accountants to be adept at applying both the rules and their interpretations in today's dynamic environment.³¹ Thus, we suggest that where possible both accounting degree programs in institutions of higher education and accounting CPE programs include consideration of accounting ethics in a manner that moves beyond the rules of a code of ethics and the code's corresponding official interpretations.³²

Some final comments

In recent years the formal teaching of ethics generally has become a part of the education of students at American medical schools.³³ In contrast, the movement in the United States to include ethics in accounting education (that goes beyond the rules of a code of ethics and corresponding official interpretations) is in its infancy.³⁴ However, there are indications that interest in accounting ethics education is growing. For example, at this writing the AAA has distributed slightly over 400 copies of *Ethics in the Accounting Curriculum: Cases & Readings*.³⁵ Additionally some accounting textbook publishers have reacted to this movement. For example, in addition to auditing textbooks (which traditionally has contained problem type materials relating to ethics),³⁶ we are beginning to see other types of accounting textbooks include problem type materials that have ethical implications. Further, several other books on accounting ethics have recently been published.³⁷

We both have heard employers suggest that some accounting graduates are not as strong as the employers would like at thinking through issues. Ethics education — especially case analysis — provides an opportunity for accounting students to refine their thinking skills.³⁸

Finally, the success of the accounting ethics education movement depends in part on the existence of appropriate educational materials — especially cases. At this writing we are hopeful that the committee will be able to add future updates at least

over the next two years. Thus, readers of this article are encouraged to submit cases to the committee for consideration for inclusion in possible future updates of *Ethics in the Accounting Curriculum: Cases & Readings*. Interested individuals are encouraged to contact either of the authors of this article.

Footnotes

* The authors are respectively Chair (1991–92) and Chair (1990–91) of the American Accounting Association's Professionalism and Ethics Seminar Committee. The authors appreciate the comments of William W. May on portions of the paper. The opinions expressed in this paper represent those of the authors and not necessarily those of the American Accounting Association's Professionalism and Ethics Seminar Committee.

¹ National Commission on Fraudulent Financial Reporting: 1987, *Report of the National Commission on Fraudulent Financial Reporting* (October), pp. 16, 82–83. The National Commission on Fraudulent Financial Reporting, pp. 82–83 indicates a preference that ethics be taught in each accounting and business course (see especially p. 83).

² Wyer, J. C., Primary Researcher: 1987, Abstract of 'Fraudulent Financial Reporting: The Potential for Educational Impact', in National Commission on Fraudulent Financial Reporting, *Report of the National Commission on Fraudulent Financial Reporting* (October), p. 108.

³ See, for example, Cohen, J. R. and Pant, L. W.: 1989, 'Accounting Educators' Perceptions of Ethics in the Curriculum', *Issues in Accounting Education* (Spring) especially pp. 73–80 and Armstrong, M. B. and Mintz, S. M.: 1989, 'Ethics Education in Accounting: Present Status and Policy Implications', *The Government Accountants Journal* (Summer), especially p. 74.

⁴ See, for example, Langenderfer, H. Q. and Rockness, J. W.: 1989, 'Integrating Ethics into the Accounting Curriculum: Issues, Problems, and Solutions', *Issues in Accounting Education* (Spring), pp. 58, 59 for, among other things, a brief discussion of the recommendations of the National Commission on Fraudulent Financial Reporting and other such possible factors. Also, see, for example, 'AAA Holds First Professionalism and Ethics Seminar': 1989, *Accounting Education News* (June), p. 3; 'Ethics Case Book Available': 1990, *Accounting Education News* (October), p. 13; '1990 Seminar on Professionalism & Ethics': 1990, *Accounting Education News* (October), p. 15; Langenderfer, H. Q.: 1990, 'The AAA Project on Professionalism and Ethics', in May, W. W. (ed.), *Ethics in the Accounting Curriculum: Cases & Readings* (Sarasota: American Accounting Association), p. i; and '1991 Seminar on Professionalism and Ethics': 1991, *Accounting Education News* (June), p. 14.

- ⁵ See, for example, the discussion in 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.* The current official name of the committee is the Professionalism and Ethics Seminar Committee.
- ⁶ See, for example, Loeb, S. E.: 1991, 'The Evaluation of "Outcomes" of Accounting Ethics Education', *Journal of Business Ethics* (February), p. 77. Also, see, for example, the discussion in Langenderfer and Rockness, *op. cit.*, pp. 59, 64–66; 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.*, 'Ethics Case Book Available', *op. cit.*; and '1990 Seminar on Professionalism & Ethics', *op. cit.*, pp. 15, 17.
- ⁷ For a discussion of such problems see Grimstad, C. R.: 1964, 'Teaching the Ethics of Accountancy', *The Journal of Accountancy* (July), especially p. 84; Loeb, S. E.: 1988, 'Teaching Students Accounting Ethics: Some Crucial Issues', *Issues in Accounting Education* (Fall), especially pp. 322–326; and Langenderfer and Rockness, *op. cit.*, especially pp. 59–66.
- ⁸ See, for example, the discussion in Grimstad, *op. cit.*, p. 84; Loeb, 'Teaching Students Accounting Ethics: Some Crucial Issues', *op. cit.*, pp. 324–325; and Langenderfer and Rockness, *op. cit.*, pp. 61–62, 66.
- ⁹ Grimstad, *op. cit.*, p. 84. Also, see, for example, the discussion in Loeb, 'Teaching Students Accounting Ethics: Some Crucial Issues', *op. cit.*, pp. 324–325 and Langenderfer and Rockness, *op. cit.*, pp. 61–62, 66.
- ¹⁰ See, for example, the discussion in 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.*; '1990 Seminar on Professionalism & Ethics', *op. cit.*, pp. 15, 17; Langenderfer, *op. cit.*, p. ii; 'Public Interest Section CPE Workshops at Regional Meetings: "Integrating Ethics Into Accounting Classes: Teaching Methods and Materials"', 1990, *Accounting Education News* (January), p. 19; and '1991 Seminar on Professionalism and Ethics', *op. cit.*, pp. 14–15.
- ¹¹ See, for example, Langenderfer, *op. cit.*, p. ii.
- ¹² See, for example, '1991 Seminar on Professionalism and Ethics', *op. cit.*, p. 14.
- ¹³ See, for example, 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.*; '1990 Seminar on Professionalism & Ethics', *op. cit.*, pp. 15, 17; Langenderfer, *op. cit.*, p. ii; and '1991 Seminar on Professionalism and Ethics', *op. cit.*, pp. 14–15.
- ¹⁴ See, '1990 Seminar on Professionalism & Ethics', *op. cit.*, pp. 15, 17. Also, see the discussion in Langenderfer, *op. cit.*, p. ii; 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.*; and see '1991 Seminar on Professionalism and Ethics', *op. cit.*, pp. 14–15.
- ¹⁵ See, for example, the discussion in National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 82–84; Loeb, 'Teaching Students Accounting Ethics: Some Crucial Issues', *op. cit.*, p. 324; and Langenderfer and Rockness, *op. cit.*, pp. 66–68.
- ¹⁶ See 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.*; '1990 Seminar on Professionalism & Ethics', *op. cit.*, pp. 15, 17; and '1991 Seminar on Professionalism and Ethics', *op. cit.*, pp. 14–15.
- ¹⁷ See, for example, 'Public Interest Section CPE Workshops at Regional Meetings: "Integrating Ethics Into Accounting Classes: Teaching Methods and Materials"', *op. cit.*; and Langenderfer, *op. cit.*, p. ii.
- ¹⁸ See, for example, the discussion in 'Public Interest Section CPE Workshops at Regional Meetings: "Integrating Ethics Into Accounting Classes: Teaching Methods and Materials"', *op. cit.*
- ¹⁹ Grimstad, *op. cit.*, p. 84. Also see, for example, National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 83–84 and 'AAA Holds First Professionalism and Ethics Seminar', *op. cit.*
- ²⁰ See, for example, Langenderfer and Rockness, *op. cit.*, pp. 59, 65, 66; 'Ethics Case Book Available', *op. cit.*; and the discussion in Langenderfer, *op. cit.*, p. ii.
- ²¹ May, W. W. (ed.): 1990, *Ethics in the Accounting Curriculum: Cases & Readings* (Sarasota: American Accounting Association).
- ²² See, for example, 'Ethics Case Book Available', *op. cit.* and Langenderfer, *op. cit.*, p. ii.
- ²³ See, for example, Langenderfer, H. Q. and Rockness, J.: 1991, 'The AAA Project on Professionalism and Ethics', in May, *op. cit.*, 1991 Update, p. ii (this aspect of the introductory material to the book was revised for the 1991 update). There were also, in the 1991 update, some additional minor changes to the book's introductory material. While this first update did not actually contain a date, it was published in 1991.
- ²⁴ See, for example, Langenderfer, *op. cit.*, p. ii and 'Ethics Case Book Available', *op. cit.*
- ²⁵ See, for example, the discussion in National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 82–84; Loeb, 'Teaching Students Accounting Ethics: Some Crucial Issues', *op. cit.*, p. 324; and Langenderfer and Rockness, 'Integrating Ethics into the Accounting Curriculum: Issues, Problems, and Solutions', *op. cit.*, pp. 66–68.
- ²⁶ Langenderfer, *op. cit.*, p. ii. Also, see, for example, 'Ethics Case Book Available', *op. cit.*
- ²⁷ This video cassette is : American Accounting Association: 1989, 'Ethics In Accounting', (Arthur Andersen & Co.) (Tape No. 1296). Also see the teaching materials (American Accounting Association: 1990, 'Ethics in Accounting Video Vignettes: Faculty Guide', Arthur Andersen & Co.) that accompanies this video which is available from the AAA. Additionally, see, for example, the discussion in 'Ethics Video Cassette Available': 1989, *Accounting Education News* (November), p. 7; Langenderfer, *op. cit.*, p. ii; and 'Ethics Case Book Available', *op. cit.*
- ²⁸ Grimstad, *op. cit.*, pp. 83–85. See the discussion on this issue in Grimstad, *op. cit.*, pp. 83–85 and also, for example, in

Loeb, 'Teaching Students Accounting Ethics: Some Crucial Issues', *op. cit.*, pp. 322–323.

²⁹ National Commission on Fraudulent Financial Reporting, *op. cit.*, p. 85.

³⁰ See, for example, Langenderfer, *op. cit.*, pp. i–ii and the discussion in 'Ethics Case Book Available', *op. cit.* Both of these sources mention the issue of inclusion of ethics in accounting CPE and suggest the possible inclusion of the cases published in May, *op. cit.* (including updates).

³¹ See the discussion in Langenderfer and Rockness, 'Integrating Ethics into the Accounting Curriculum: Issues, Problems, and Solutions', *op. cit.*, pp. 63–64 and in National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 82–83.

³² See the discussion in Langenderfer and Rockness, 'Integrating Ethics into the Accounting Curriculum: Issues, Problems, and Solutions', *op. cit.*, pp. 63–64 and in National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 82–83.

³³ See, for example, Pellegrino, E. D., Hart, R. J., Jr., Henderson, S. R., Loeb, S. E. and Edwards, G.: 1985, 'Relevance and Utility of Courses in Medical Ethics: A Survey of Physicians' Perceptions', *The Journal of the American Medical Association* (January 4), especially pp. 49, 52, 53 and Miles, S. H., Lane, L. W., Bickel, J., Walker, R. M. and Cassel, C. K.: 1989, 'Medical Ethics Education: Coming of Age', *Academic Medicine* (December), especially pp. 705–706.

³⁴ See the discussion in Langenderfer and Rockness, 'Integrating Ethics into the Accounting Curriculum: Issues, Prob-

lems, and Solutions', *op. cit.*, pp. 63–64 and in National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 82–83.

³⁵ This includes in addition to those sold, some copies of the book that have been given away. For example, individuals attending the 1991 seminar in San Francisco were given copies to take home. Number distributed per an AAA staff member. Individuals who have received gratis copies will, at this writing, also receive the future updates.

³⁶ See the discussion in Wyer, *op. cit.*, p. 108. Also, see Grimstad, *op. cit.*, p. 84 as well as the discussion in both Langenderfer, *op. cit.*, p. i and National Commission on Fraudulent Financial Reporting, *op. cit.*, p. 82.

³⁷ See, for example, Windal, F. W.: 1991, *Ethics and the Accountant: Text and Cases* (Englewood Cliffs: Prentice Hall, Inc.).

³⁸ See, for example, the discussion in National Commission on Fraudulent Financial Reporting, *op. cit.*, pp. 82–84; Loeb, 'Teaching Students Accounting Ethics: Some Crucial Issues', *op. cit.*, p. 324; and Langenderfer and Rockness, 'Integrating Ethics into the Accounting Curriculum: Issues, Problems, and Solutions', *op. cit.*, pp. 66–68.

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