

**THE IMPACT OF ETHICS COURSES ON
ACCOUNTING MAJORS' ATTITUDES TOWARDS
BUSINESS ETHICS**

Hema Rao, State University of New York at Oswego

Barry A. Friedman, State University of New York at Oswego

Pamela L. Cox, State University of New York at Oswego

ABSTRACT

Efforts to improve ethics education of accounting students have increased, but the impact of college ethics courses on attitudes towards business ethics of accounting students have not been determined. The purpose of this research is to measure and compare the business ethics attitudes of accounting students who have taken ethics courses, with other junior and senior business students who have not taken similar courses. Measuring the differences in responses of accounting students and other business students indicate incremental learning from prior ethics courses. Data are collected using the Attitudes Towards Business Ethics Questionnaire (ATBEQ).

INTRODUCTION

Accounting ethical scandals such as Enron, WorldCom, Sunbeam, Tyco, and Rite Aid have led to discussions about the impact of business ethics education and training. College level business ethics courses address knowledge and skills that accounting professionals need to demonstrate ethics based reasoning, judgment to resolve ethical dilemmas in their business dealings. The Advancement of Collegiate Schools of Business (AACSB) and The National Association of the Boards of Accountancy (NASBA) are requiring the addition of business ethics courses to accounting curricula to achieve this objective.

The American Institute of Certified Public Accountants (AICPA) adopted a 150 credit hours requirement for membership and to sit for the Certified Public Accounting (CPA) exam. In one of the position papers on accounting education it made the following statement: "A sense of responsibility to society and to one's own profession should be acquired very early in the educational process and can begin with the nurturing of moral and ethical value." (AICPA, 1: 10). Other stakeholders of accounting education agree with this statement (Bean & Bernardi, 2007).

LITERATURE REVIEW

Views on Teaching Ethics in the Classroom

Teaching ethics within business school curricula has two opposing views. One view suggests that it is possible to teach ethics in the classroom and the second holds that it is not possible to do so at this stage, because by then one is either ethical or not. These contradictory views prevail among academics, accounting professionals and even students (Macfarlane, 1995; Poneman, 1993; Armstrong, 1993b; Bernardi & Bean, 2006; Gundersen *et.al*, 2008). Some researchers cite formal ethics education in other professions, like law (Macfarlan, 1995) medicine (Pellegrino & McElinney, 1982) and dentistry (Bebeau, 1994) that promote high levels of ethical awareness and reasoning. Consequently, most accounting academics and

practitioners agree that ethics should become a more significant part of the accounting curricula.

Public accounting firms suggest the use of and provide ethics videos, cases, movies and other devices (ethics teaching interventions) to professors to create business ethics awareness among accounting students. Repeated exposures to the ethical issues depicted in these materials are expected to indoctrinate students in ethical reasoning leading to ethics based decisions. Surveys administered to students after viewing such materials provide measures of ethics awareness acquired by them.

Accounting professors have emulated several teaching techniques of their peers in their ethics interventions. A majority of such exercises measure moral development (cognitive acts of identifying moral issues and thinking them through prior to deciding on an ethically sensitive course of action) after conducting an ethical intervention in the class. A brief discussion of the commonly cited studies follows.

Poneman & Glazer (1990) examine accounting students' ethical reasoning using Defining Issues Test (DIT) scores developed by Rest (1986). They found that only accounting seniors progressed to levels of ethical reasoning measured by DIT P scores published by Rest (1986). The subjects of their study were students and alumni in public accounting practice from a liberal college offering an undergraduate accounting degree and from a second AACSB accredited school granting accounting degrees. They conclude that moral development of these students may be affected by educational processes that inhibit students' abilities to develop an increasing sense of ethics, integrity or moral beliefs during the college years. Jeffrey (1993) uses DIT scores and reports that accounting majors tended to have higher cognitive moral development if they attended a liberal arts school. Armstrong *et. al.* (2003) uses Thorne's (1998) model for ethical decision making, to suggest that if accounting educators can find ways to enhance ethical motivation, they can induce their accounting students to choose and act on decision alternatives that were more ethical. Thorne's model (1998) combines moral development and virtue. She believes that an interaction of these two components aid accounting students and professionals to achieve higher levels of moral reasoning and also motivate them to act ethically.

Classroom Ethical Interventions

Thorne (1998) combined James Rest's Four-Component Model of ethical behavior with the prescriptive idea of ethics theory. It is believed that the basic idea behind Rest's four processes may lead to "inner psychological processes" that "together give rise to outwardly observable behavior" (Rest, Narvaez, Bebeau, & Thomas, 1999: 101). These inner processes touch upon the following moral characteristics that would influence an individual's moral actions by:

1. Enhancing sensitivity to the moral issues in a dilemma, thinking about alternative actions that may be taken and weighing effects of such actions on various parties involved.
2. Using moral judgment to take ethically justified actions.
3. Creating commitment to valuing moral values, taking moral actions and accepting personal responsibility for the morally motivated results.
4. Developing the courage, persistence to achieve moral goals by overcoming personal fatigue and temptation.

Studies in Enhancing Moral Sensitivity

Fulmer and Cargile (1987) found that accounting students who had been exposed to the AICPA's Code of Professional Conduct recognized ethical issues in the "ethical scenarios" used by them more often than the other business students. However, they found that their actions did not differ from those of the business students. This disparity between ethical awareness and ethical actions is evident by ethical lapses of the auditors of Arthur Andersen who failed to protect the public from the fraud perpetrated by Enron.

Armstrong (1993b) found that the DIT "P" scores of students who were exposed to ethics and professionalism courses were statistically different from similar scores of students in intermediate accounting. Rest's Defining Issues Test (DIT) results in a "P" score which measures the percentage of time. Respondents utilize stage 5 or 6 reasoning ("principled" reasoning) in choosing solutions to given scenarios. Armstrong also found that the interactive effect of taking ethics and professionalism courses with prior classes in ethics seemed to be effective in predicting what she refers to as "moral-reasoning maturation".

Prescriptive Reasoning in Ethical Decisions

Another aspect of teaching ethics is prescriptive reasoning that leads to ethical judgment. Studies in this area include studies in the psychology of moral development, classical philosophical theories, case analyses, codes of conduct, and virtue. Normative ethics (what one should do) and descriptive ethics (how people make moral decisions) are the broad categories.

Normative studies investigate the good, bad, right, and wrong of issues which have alternative answers. An example of such studies is the Rest (1986) study cited in this paper. Text books in accounting ethics (Mintz, 1992; Epstein & Spalding, 1993) use classical normative ethical theories that can be applied to ethics in accounting. Some of these theories include egoism (exemplified by Adam Smith's assumption that people act in their own self interest), utilitarianism (discussions of cost/benefit issues in various topics and the belief that projects with lower costs than benefits are acceptable leading to the belief that ends justify means) and deontology (focuses on rights and duties and accounting principles that emphasize the right way to do things irrespective outcomes, for example matching concept). Students may encounter these theories in their courses without being aware of their import.

Langenderfer & Rockness (1989) propose that ethics case studies be used throughout the accounting curriculum. They suggest an eight step model to be used as an analytical model. They also recommend courses in ethics. Some suggest teaching students about virtue which may allow one to achieve excellence in one's profession. Mintz (1996) gives a case study which he includes virtue considerations into an introductory financial accounting course. Guidelines are provided to assess if the students are successfully learning about virtue.

Attitudes Towards Business Ethics Questionnaire (ABTEQ)

The Attitude Toward Business Ethics Questionnaire (ABTEQ) is used to measure ethics attitudes of students that either received or did not receive ethics training. The ATBEQ was first developed by Neumann & Reichel (1987), based on the Stevens (1979) "values clarification exercises." Preble & Reichel (1988) used the ABTEQ to compare United

States and Israeli management students. They found that United States and Israeli students differed with respect to several ABTEQ items. For example, relative to the Israeli students, the U.S. students tended to disagree more with the statement that "the only moral of business is making money." Small (1992) compared Western Australian students with U.S. and Israeli students using the ABTEQ, but found few meaningful differences.

Moore & Radoff (1996) used the ABTEQ to compare South African Students with the previous samples of U.S., Israeli and Australian students collected by Prebl & Reichel (1988) and Small (1992). They found that the South African and Israeli students differed on a number of items. For example, compared to Israeli students, South African students do not agree that the "only morale of business is making money." Cox & Friedman (2009) used the ABTEQ to compare United States, Singaporean, and Mexican students' attitudes towards business ethics.

Mexican, Singaporean, and U.S. students' responses differed significantly on 14 of the ABTEQ items. Compared to the Mexican and Singaporean students, the United States students mean responses were lower on 11 of the 14 items. For example, U.S. students' agreement with the statement "The only moral of business is making money" was significantly lower than the Mexican and Singaporean students. Cox, Friedman, & Edwards (2009) used the ABTEQ to measure the effect of using the film *Enron: The Smartest Guys in the Room* on students' attitudes towards business ethics. Significant differences emerged between the experimental group (students who viewed the film) and the control group. However, rather than developing a more positive attitude towards the importance of ethical behavior in the workplace, students' attitudes were less idealistic and more cynical after the teaching intervention. For example, the experimental group students reported that business was less moralistic than the control group, that following the law is no guarantee that one will be morally sound, and that business people do not naturally act according to moral principles. Moore & Radloff (1996) removed five items from the questionnaire based on factor analysis results. Cox, Friedman, & Edwards (2009) removed an additional three items based on pretesting with business

undergraduate students. The resultant questionnaire consisted of 22 items, and was used in this study.

METHOD

Accounting students enrolled in an auditing course (AU) received ethics courses prior to administration of the ATBEQ (i.e. experimental group). Senior and junior business students in an organizational behavior (OB) course did not take any ethics courses prior to the questionnaire administration (i.e. control group). The questionnaire was administered within the first two weeks of the semester which excluded any “noise” by exposing Accounting students to professional ethics auditing issues.

Hypothesis

It is anticipated that the Accounting students (AU) will have more positive attitudes towards business ethics than OB students due to the prior ethics courses taken by them. Exposure to ethics courses will increase Accounting students’ awareness of ethical issues and the importance of ethics in the workplace. It is hypothesized that Accounting students who have taken ethics courses will have significantly different attitudes towards business ethics than OB students who have not taken such courses.

Sample

The student sample (N= 58) for this study consists of senior Accounting students enrolled in an auditing class (N =29) and OB students (N = 29) enrolled in a northeastern public four year college. Accounting students enrolled in the auditing course had taken two prior courses in ethics. The first course is in Classical Ethics in which students are instructed in Virtue and Command Ethics, Deontology and Utilitarianism in addition to other concepts. A second course entitled Business Ethics examines the issues at the intersection of business and ethics from a philosophical perspective. The sample was 55% male and 43% female. Seventy-seven (77%) of the students were between the ages of 21-25. Accounting and OB students did not differ with respect to age ($\chi^2 = 3.54, p = .31$) or gender ($\chi^2 = 2.17, p = .33$).

Results

The ATBEQ consists of 22 items that use five point Likert rating scales (1= “strongly disagree”, 2= “disagree”, 3= “not sure”, 4= “agree” and, 5= “strongly agree”). Table 1 contains descriptive statistics and t tests for ATBEQ items. AU students had significantly lower scores on questions 11, 12, 14, 16, 19 and 20. AU students exhibited higher levels business ethics awareness than OB

Table 1
Means, Standard Deviations and Significance Tests for Attitudes Toward Business Ethics Questionnaire (ATBEQ) items

ATBEQ Items	Organization al Behavior (N = 29)		Accounting (N = 29)		<i>t</i>
	Mean	SD	Mean	SD	
1. The only moral of business is making money.	2.14	1.35	1.79	1.08	1.08
2. A person who is doing well in business does <i>not</i> have to worry about money problems.	2.41	1.04	1.87	.98	1.63
3. Every business person acts according to moral principles, whether he/she is aware of it or not.	2.43	1.23	2.21	1.14	.70
4. Act according to the law, and you can't go wrong	2.32	1.23	1.93	.92	1.46

morally.

5. Business decisions involve a realistic economic attitude and <i>not</i> a moral philosophy.	2.71	1.15	2.24	1.05	1.61	
6. Moral values are irrelevant to the business world.	1.71	.81	1.52	.73	.96	
7. The lack of public confidence in the ethics of business people is <i>not</i> justified.	2.68	.86	2.48	.94	.81	
8. "Business ethics" is a concept for public relations only.	2.00	.90	1.72	.79	1.22	
9. The business world today is <i>not</i> different from what it used to be in the past. There is nothing new under the sun.	1.74	.76	2.00	1.03	1.06	-
10. Competitiveness and profitability are independent values (existing on their own).	2.86	1.20	2.45	.98	1.40	
11. Conditions of a free economy will serve best the needs of society. Limiting competition can only hurt society and actually violates basic natural laws.	3.36	1.20	2.45	1.21	2.92	**
12. As a consumer when making a car insurance	3.46	1.17	2.52	1.15	3.07	**

claim, I try to get as much as possible regardless of the extent of the damage.						
13. As an employee, I take office supplies home; it doesn't hurt anyone.	2.25	1.26	1.76	.73	1.79	
14. I view sick days as vacation days that I deserve.	2.86	1.26	2.07	.99	2.61	**
15. Employee wages should be determined according to the laws of supply and demand.	2.79	1.10	2.72	.92	.22	
16. For every decision in business the only question I ask is, "Will it be profitable?" If yes- I will act according; if not, it is irrelevant and a waste of time.	3.11	1.19	2.00	.84	4.04	***
17. In my grocery store every week I raise the price of a certain product and mark it "on sale." There is nothing wrong with doing this.	2.00	1.18	1.69	.66	1.22	
18. A good business person is a successful business person.	3.18	1.18	2.69	1.07	1.63	
19. True morality is first and foremost <i>self</i> -interested.	2.86	1.11	2.21	.94	2.38	**

20. Self-sacrifice is immoral.	2.71	1.18	2.10	.72	2.36	**
21. You can judge a person according to his work and his dedication.	3.61	1.06	3.41	.90	.73	
22. You should <i>not</i> consume more than you produce.	3.32	1.05	3.00	.96	1.20	

*** ($p \leq .01$)

** ($p \leq .05$)

students. AU students also had significantly lower scores on questions 12, 14, 16 and 20 which deal with ethical courses of action, indicating higher levels of personal ethical behavior. Hypothesis one is therefore supported.

A factor analysis was conducted to ascertain the underlying factor of the ATBEQ, and determine if the AU and OB students differed with respect to these factors. The principle components factor matrix with eigenvalues greater than or equal to 1 were rotated using the varimax rotation procedure (Rummel, 1970). In order to facilitate independence of factors and interpretability, variables with cross loadings greater than .30 were removed. Table 2 contains the rotated factor matrix. Two factors resulted: "moral values" and "self serving interests". The first factor "moral values" had highest loadings on questions 1, 5, and 6. The second factor "self-serving interests"

Table 2
Principal Component Factor Analysis
of ATBEQ Items¹

	Factor	
	Amoral Values	Self Serving Interest
5. Business decisions involve a realistic economic attitude and not a moral philosophy.	.84	.12
6. Moral values are irrelevant to the business world	.83	.08
1. The only moral of business is making money.	.62	.23
14. I view sick days as vacation days that I deserve.	.08	.91
13. As an employee, I take office supplies home; it doesn't hurt anyone.	.23	.86

had highest loadings on questions 13 and 14. The two-factor solution accounted for 70% of the students' responses variance. Factor scores were calculated using the regression method whereby factor scores have a mean of zero and variance equal to the squared multiple correlations between the estimated and true factor scores (SPSS, 2007). Table 3 contrasts

Table 3
Means, Standard Deviations and
Significance Tests for ATBEQ Factors ¹

	Organizational Behavior		Accounting		<i>t</i>
	M	SD	M	SD	
Amoral Values	.15	1.06	-.15	.92	.90
Self Serving Interest	.29	1.17	-.28	.71	7.25 *

¹ Factor scores are standardized

* $p \leq .05$

AU and OB students with respect to the amoral values and self serving interest factor scores. AU students exhibited significantly lower on the self-serving interest factor ($t = 7.25, p \leq .05$). AU and OB students did not differ with respect to the amoral factor.

CONCLUSION

The more ethical attitudes towards business ethics reported by accounting students compared to OB students may have resulted from the Accounting students' exposure to ethics training. The results are consistent with Armstrong (1993b) who finds support for her "sandwich approach" for teaching ethics that resulted in higher levels of moral development. Armstrong's (1993b) "sandwich approach" suggests that

students take general ethics courses and these ethical principles be reinforced in accounting courses with ethics teaching interventions to help them identify moral dilemmas and resolve them with good ethical reasoning.

The current study adds a new dimension to the existing literature in ethics education of students by using the ATBEQ. A limitation of the current study is the non-random sample selection of students to the experimental and control conditions (posttest only experimental design).

Further research in the area should focus on improving ethical awareness and moral development in students using a variety of teaching interventions, such as videos, debates, and case studies. Class room conditions must be conducive to activities that highlight higher professional achievement with integrity and focus on the need to protect the public who rely on the accountant/auditor for reliable and relevant financial information.

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About the Authors

Hema Rao is an Associate Professor of Accounting in the School of Business at the State University of New York at Oswego. She teaches courses in Accounting and Auditing. Email: hrao@oswego.edu

Barry A. Friedman is an Associate Professor of Management in the School of Business at State University of New York at Oswego. He teaches courses in Human Resource Management and organizational behavior, teaches internationally in Singapore and Japan, and comes to academia with over 25 years of organizational experience with Xerox and ExxonMobil. Email: barry.friedman@oswego.edu

Pamela L. Cox is a Professor of Management in the School of Business at State University of New York at Oswego. She teaches courses in International Business and Business Ethics. Email: pamela.cox@oswego.edu