

Propose a framework for teaching ethics, values, and integrity in higher education accounting curriculumsArbabi Moradbakhsh¹, and Kazemzadeh Fariba*²¹. Department of Accounting, Nikshahr Branch, Islamic Azad University, Nikshahr, Iran². Young Researchers Club, Shirvan Branch, Islamic Azad University, Shirvan, IranFariba_Kazemzadeh@Yahoo.Com

Abstract: The increasing globalization of the accounting profession and recent accounting scandals have brought about a growing research interest on accounting ethics and the need for inculcation of accounting ethics education. Unless there is a change to corporate values and behavior, accounting graduates will continue to be confronted with a variety of ethical dilemmas in the work environment. There is evidence that accounting education has failed to develop students' intellectual and ethical maturity. The literature addresses whether or not ethics and accounting should be included in an accounting curriculum and if so whether the topic should be taught as a discrete course within the accounting curriculum or integrated within accounting courses. This study focuses on identifying objectives to meet when including ethics in the accounting curriculum, mapping it to the Kohlberg moral development model (1969), and identifying to specific teaching strategies for accounting faculty to follow. A framework to teach ethics and values in accounting courses is presented to integrate these three concepts.

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1. Introduction

Financial reports provided to users are not always showing the actual picture of a firm's value or profits. Accounting fraud is when the financial statements are misstated on purpose to mislead the users of financial statements.

The accounting curriculum in higher education has historically focused on teaching students technical skills such as how to perform accounting calculations, explanations of accounting rules and standards, and accounting theory. The role of ethics, values, and integrity in accounting has largely been ignored or thrust aside in this curriculum to focus on the technical elements of the discipline.

The increasing visibility of accounting scandals during the past decade and the regulatory compliance response to these scandals through the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission oversight has raised the importance of ethics, values, and integrity in the accounting profession. In light of this emphasis and the focus of the Jesuit tradition on values, ethics, and integrity, there is a need to teach students how to apply ethics, values, and integrity to accounting decisions. This includes incorporating values and ethical behavior into accounting courses to show that a business decision is not just about the numbers. This paper will examine the literature in the field to examine research on this topic and then propose a framework for teaching ethics, values, and integrity in higher education accounting curriculums. The framework identifies objectives, how the objectives achieve. Kohlberg's moral development

model and teaching strategies that can be used to teach ethics, values, and integrity to accounting students.

2 Literature Review

Accounting fraud has adverse effects on society and it is important that we acknowledge these damages that accounting fraud can force upon the society. The major corporate collapses in the United States of America, Australia, Europe and even in Iran, have paved the creation of more serious attempts to bring back the faith of public and other users of accounting information on the credibility and integrity of financial reports.

Major professional accounting organizations such as the American Institute of Certified Public Accountants (AICPA), Institute of Management Accountants (IMA), Institute of Internal Auditors (IIA) and International Federation of Accountants (IFAC) include ethics and values in their professional examinations by holding their members accountable to a professional code of ethics, and requiring continuing professional education requirements for their member (AICPA, 2009; IMA, 2010; IIA, 2010; IFAC, 2010). Since accounting students are professionally motivated to earn professional credentials, many accounting curriculums focus on these professional codes of conduct (Jennings, 2004).

There are several statutory requirements in the United States requiring ethical behavior. The Sarbanes-Oxley Act of 2002 requires a Code of Ethics for senior executives in Section 406 (SOX, 2002). The US Federal Sentencing Guidelines includes a provision that will lessen sentencing in corporate fraud cases in a

company has a corporate code of ethics (www.ussc.gov, 2004). The 2004 revision to the guidelines tightened this provision requiring that the corporate codes of ethics be designed to ensure that it is effective. It also stipulated that ethics program must be designed with the objective of preventing and detecting fraud.

Higher education accreditation bodies include ethics in their standards. The Gold standard of business accreditation, the AACSB, requires the inclusion of ethical reasoning skills in a business program's core learning goals. Accounting accreditation standards require its member to include learning outcomes that address ethics for accountants with a focus on the profession's ethical standards (AACSB, 2009).

The research also addresses who should teach ethics in accounting courses. Massey and Van Hise (2009) discussed the advantages of using trained ethicists, but acknowledged the problem of limited resources and recommended that accounting faculty train and prepare for the role. Blanthorne, Lovar, and Fisher's (2007) research concluded that the accounting faculty was most suited to teach ethics in accounting classes. Massey and Van Hise (2009) and Blanthorne et al. (2007) also noted that accounting faculty was intimidated by the prospect to teach ethics in accounting courses because they felt unqualified.

The literature widely agrees that including values and ethics in accounting curriculums and courses. Blanthorne et al.'s (2007) research concluded that accounting faculty overwhelmingly agreed with integrating ethics in courses. Jennings (2004) believes that accounting students should be taught ethics because of the role that accountants played in recent scandals such as Enron, Worldcom, and Arthur Andersen.

However, there are there are several opposing views about including ethics in the accounting curriculum. Breaux, Chiasson, Mauldin, and Whitney (2009) studied corporate accounting recruiters who focus on entry level accountants. The recruiters suggested that a better method for teaching ethics to entry level accountants is not in the college classroom, but through on the job training and CPE courses. In 2005, the National Association of State Boards of Accountancy (NASBA) attempted to mandate requiring the inclusion of three ethics focus in the coursework requirements for the CPA exam (www.NASBA.org, 2005): an ethics philosophy course, an accounting ethics course, and a capstone ethics course. Accounting academics led the lobby to defeat this initiative arguing that the requirement would be a burden on accounting programs' resources (Bean & Bernardi, 2005).

Kelly (2004) posited that the recent challenges to the accounting profession, which included the Enron bankruptcy and the indictment and conviction Arthur Andersen, have reinforced the requirement that

accountants must adhere to the highest ethical standards. The personal values and ethical perceptions of accounting student are attributes that can indicate their moral reasoning ability, therefore, it is important that ethical values and positive perceptions are to be taught to these students through an intervention at tertiary level.

According to Chan and Leung (2006), accounting students who are exposed to a core course of 'Ethics in Accounting', in their accountancy degree curriculum, have higher ethical sensitivity ability, compared to the students who are given only a few hours of integrated ethical interventions of their entire curriculum coverage.

As posited by Ghaffari et al., (2008), ethics is taught at various levels at tertiary education and it is common to include ethics as part of a curriculum due to recent accounting scandals.

Despite the widespread agreement that ethics should be an integral part of accounting education, the implementation has been slow, but many studies have concluded that ethics education has a positive effect on students. Teaching method used must be able to train the accounting students to assess the consequences of their actions onto the society, the organization they work for and onto themselves (Edward, 2007).

Integrated or embedded approach to teach accounting was preferred pedagogically over a stand-alone course (Madison and Schmidt, 2006; cited by Hurtt and Thomas, 2008), but this was earlier contended by (Swanson 2005; cited by Hurtt and Thomas, 2008) that integration leads to superficial, uninformed, and mostly insufficient coverage and asserts that the integration approach places a burden on faculty members who may be uncomfortable with teaching ethics.

The literature also addresses strategies for teaching ethics in accounting courses including discrete and integrated courses.

Fisher, Swanson, and Schmidt (2007) criticized academia's narrow focus on teaching professional codes of conduct and recommend that accounting academia mobilize their resources to identify teaching strategies. They believe that a drawback to the integrated course approach is that without an academic basis in ethics, students lack the knowledge and critical thinking skills to address ethical issues.

They recommend that accounting programs offer a standalone ethics course at the beginning of an accounting program to deliver the message that ethics is an important topic in an accounting program (Fisher and Swanson, 2005a). Dellaportas (2006) also believes that a discrete course in ethics and accounting should be included in accounting programs.

Several researchers recommend specific teaching strategies to teach student ethics, the “how-to” teach ethics to accounting students. Frank, Ofobike, and Gradisher (2010) propose using disciplinary actions levied against accountants to show students the consequences of illegal activity. Jennings (2004) identifies key cases (i.e., Worldcom and Enron) and other works that represent ethical failures of the previous decade that can be used in accounting classrooms to explore ethical dilemmas and how to resolve them.

Teaching accounting students ethics and values faces challenges. Marianne Jennings (personal communication, June 7, 2010) thinks that accountants face a struggle learning about ethics because the profession is focused on technical skills and right and wrong answers.

Let us now turn to several models and frameworks that are used and have been proposed to teach ethics in general and specifically to accounting students. First, the Kohlberg theory of moral development (as cited in Crain, 1985) is examined. This model identifies six progressive stages of moral development and is based on psychological assumptions. It also provides an assessment tool that can measure the development of an individual’s ability to deal with ethical dilemmas. This model identifies three levels of moral decision making comprised of six stages that are used in making ethical decisions. This theory is addressed in ethics courses and is applied to teaching accounting professionals and students (Bean & Bernardi, 2005, 2007; Dellaportas, 2006; Shaver & Senetti, 2009).

Kohlberg’s model subdivided into six stages of moral development are “obedience and punishment Orientation, individualism and exchange, good interpersonal relationships, maintaining the social order, social contract and individual rights, and universal principals justice” (Rest, 1980, p. 602). Kohlberg developed an assessment tool to score individual’s ability to examine moral dilemmas which

Rest (1980) refined with the Defining Issues Test (DIT), which was easier to administer and score than the Kohlberg tool.

The International Federation of Accountants (IFAC, 2006) Education Standards Board released a framework for international accounting education standards that includes a focus on ethics and values. The framework addresses conflict of interest, ethical threats, earnings management, ethical decision-making skills, and whistle blowing (web.ifac.org, 2006). Jennings (2004) believes that ethics courses should focus on moral absolutes that teach students to deal with tough choices. She says “ethics should focus on absolutes and the need for fortitude when pressure comes with its demand for flexibility and compromise”

(2004, p. 18). She recommends using six cases studies to examine accounting fraud: Sunbeam, Enron, Worldcom, Tyco, Health South, and a survey of earnings management cases. She believes that analyzing cases that presents the ethical dilemmas faced by these companies shows the students how to deal with the dilemmas. Jennings also believes that it is important for students to develop skills such as leadership, independence, and a willingness to learn about the dilemma’s facts, skills that that will help them stand up to ethical dilemmas.

The missing piece of the literature seems to be the lack of linkage between objectives for teaching ethics and integrity, a method for evaluating moral progress in the courses, and course materials to achieve the objectives. This paper will assist accounting faculty to integrate ethics in accounting courses and provide teaching objectives, a method for evaluating moral progress, and teaching strategies.

3. Discussion

The literature presents both sides of whether or not ethics should be taught in accounting classes. It also considers whether discrete courses or those that are integrated with ethical material are better approaches to teaching accounting students ethics. Despite legislation to address corporate governance such as Sarbanes-Oxley, it is troubling that corporate scandals and frauds continue to occur. Consequently, accounting faculty are obligated to prepare their students to be able to cope with a business environment that faces ethical challenges and dilemmas. This obligation becomes a duty in Jesuit Universities that focus on integrity and ethical behavior. Ethics should be taught in accounting courses because of the scandals of the past decade and to prepare the students to be able to make ethical choices in business situations. The literature also considers approaches to follow - discrete accounting ethics courses or the integrated course approaches.

Budget constraints and lack of trained ethicists are handicaps against creating discrete courses. Also, accounting professors’ apprehension toward teaching ethics are barriers to including ethics in accounting courses. Rather than dwelling on the challenges facing the question of whether or not to include ethics in accounting courses, let us turn our attention toward a framework that we can use to accomplish the objectives in our accounting courses. The next section examines a framework to addresses in ethics courses and integrating ethics in accounting courses.

Proposes an ethics and values based teaching framework for accounting courses

This section proposes an ethics and values based teaching framework for accounting courses. This framework balances several considerations. First, teaching objectives for ethics in accounting courses need to be identified. Second, teaching ethics in

accounting courses should focus on the moral development of our students. Third, teaching strategies to achieve the first two considerations are necessary. Importantly, these three considerations need to be linked in the framework.

First, the objectives for teaching ethics are discussed. The objectives address ethical sensitivity, present a repetitive message, reflexive integration, probe the gray zone, truth or consequences, the development of a value environment, and measure effectiveness of the ethics curriculum in the accounting program. Ethical sensitivity (Shawver & Sennetti, 2009) is the ability to examine and understand the ethical or moral implications of a situation. Our ethical courses need to develop ethical sensitivity in our students to teach them how to examine and interpret ethical dilemmas. The repetitive message means teaching students to be able to deal with ethical dilemmas needs to be reinforced. This is not a one-time lesson, but progressive lessons to develop ethical intelligence, the ability to deal with ethical dilemmas. Reflexive integration represents a cultural change within an organization to create an ethical environment that is sustainable. It is driven by commitment from the organizations' leaders and executives who demonstrate the tone at the top (COSO, 1992) and provide the leadership to develop a strong ethical climate in the organization. Probing the gray zone means that ethical dilemmas are not black and white and many dilemmas do not have easy answers. The students need to develop a comfort level with the gray zone and understand the different shades of gray. Is it ethically or legally gray, a loophole, or another shade (Jennings, 2010)?

The value environment (Moosmayer, 2009) means teaching the students to create their own value environment. That is, accounting faculty needs to teach them to the ability to embed ethical values in their personal and work lives, a moral compass to guide them. Truth or consequences addresses teaching the

students to understand the cost of ethical lapses - the consequences and penalties associated with ethical breaches. Finally, measuring effectiveness means measuring the effectiveness of teaching ethics in accounting programs to ensure that we are effectively developing ethical intelligence in our students. This feedback is more than a report card. It facilitates measuring the effectiveness of our accounting ethics education and provides us a tool to refine and measure teaching ethics in accounting courses. A final other category can be used to address classroom protocol which focuses on academic integrity for assignments.

Moral Development

As previously discussed, Kohlberg's (Rest, 1985) moral development model provides a method to evaluate moral development and growth. This is important because it is a recognized model, can be used to measure a student's moral development, and can help assess the effectiveness of teaching ethics and values in accounting courses.

Teaching Strategies

Traditional teaching strategies in accounting courses, by the nature of material, tend to focus on quantitative problem solving.

Many accounting courses are technical and calculation driven. Ethics and values based lessons will need to use qualitative based material such as cases, scenarios, and current business events (Jennings, 2004). Class discussions and papers can be used to develop ethical intelligence. An important concern is that the need for faculty develops their ethical knowledge by reading journals and attending ethical lectures (Massey & Van Hise, 2009). While much of this material can be integrated in accounting courses, the higher Kohlberg stages may be more suited to discrete ethics courses.

This section presents a framework that links ethical teaching objectives to the Kohlberg Moral Development Stages and course type/teaching methods.

Table 1: Framework for Teaching Ethics and Values in Accounting Courses

Ethical Objectives	Definition	Kohlberg Moral Development Stage	Course Type/ Teaching Methods
Ethical Sensitivity	Teach students how to examine and interpret ethical dilemmas.	Stage 3 Interpersonal Relationships Stage 4 Maintaining Social Order	Integrated/ AICPA Six Steps to resolving an ethical dilemma, Professional codes of conduct, statutory requirements, general ethics case studies, and personal case studies.
Repetitive Message	Progressive lessons to develop ethical intelligence, the ability to deal with ethical dilemmas.	Stage 2 Individuals and Exchange	Both/ Include in all ethics in all accounting courses.
Reflexive Integration	Represents a cultural change within an organization to create an ethical environment that is sustainable.	Stage 5 Social Contract and Individual Rights	Both/ Examination of transformational leaders who changed corporate cultures from unethical to ethical cultures.
Probe the Gray Zone	Develop a comfort level with the gray zone to understand the different shades of gray.	Stage 5 Social Contract and Individual Rights	Integrated/ Case studies and the anatomy of the gray zone, analysis of ethical lapses.
Truth or Consequences	The consequences and penalties associated with unethical behavior	Stage 1 Obedience and Punishment Orientation. Stage 5 Social Contract and Individual Rights	Enron, Worldcom, Health South cases Federal sentencing guidelines, videos.

Value Environment	Teaching student to create a personal and work value environment.	Stage 5 Social Contract and Individual Rights Stage 6 Universal Principles	Discrete course taught by an ethicist.
Measure Effectiveness	Measure progression in Kohlberg's moral development	Rest's (1980) Defining Issues Test assessment of Kohlberg's moral stages	Both/Assess students at beginning and end of academic year.
Academic Integrity	Classroom protocol	Stage 1 Obedience and Punishment Orientation.	Enforce classroom policies such as plagiarism, timely submission of assignments, and respect toward faculty and fellow students.

4. Conclusion

In conclusion, this paper identified a framework that combines ethical objectives, maps them to Kohlberg's stages of moral development, and presents teaching strategies to present ethics and values in higher education accounting courses. By using the Kohlberg model, student's moral development can be measured to assess the effectiveness of this framework. The ethical challenges of the past decade and the continuing issues of ethical lapses in the accounting profession call on accounting faculty in higher education to include ethics in accounting courses. This framework provides guidance on how to achieve that goal.

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