

# **DOES ETHICS CURRICULUM DELIVERY MAKE A DIFFERENCE IN ACCOUNTING STUDENTS' CHOICES?**

**George L. Hunt**  
**Stephen F. Austin State University**  
**USA**

**Mary Fischer**  
**The University of Texas at Tyler**  
**USA**

**Treba Marsh**  
**Stephen F. Austin State University**  
**USA**

## **ABSTRACT**

In the past, accountants were considered to have high ethical orientation, second only to the clergy. Researchers claim creativity and cleverness have replaced accountants' honesty and integrity. Educators have responded to these claims by revising the accounting curriculum to include ethical studies and training. This exploratory study examines judgments of accounting students at two universities with different accounting program curriculum, different ethical course delivery, and different ethical course content to determine what, if any, differences exist in students' accounting judgments. The findings suggest that ethical course delivery has little effect on student judgment choices. The investigation extends previous studies by examining demographic variables including gender, work experience, and education level.

**Key words:** accounting choices, ethics curriculum, value judgments.

## **INTRODUCTION**

In the late 1980's accountants were considered by business leaders, academic leaders, and members of Congress to have high ethical orientation, second only to the clergy (Touche Ross, 1988). Lam and Samson (2005) claim creativity and cleverness have replaced accountants' honesty and integrity. A Gallup poll ranks accountants low in ethical professional judgment and

ethical behavior that signals a continued need for accountants' ethical training (Saad, 2008). Accounting educators have responded to these claims by revising the accounting curriculum to include ethical studies and training (Bernardi & Bean, 2006; Haas, 2005). In addition, some state boards of accountancy, e.g. Texas and California, have added ethics education to CPA candidate requirements (AccountingCoach, 2013). Currently, the Texas requirement is only three semester credit hours to take the exam. However, beginning January 2014, California will require CPA candidates to have completed 10 semester credit hours to be eligible to obtain the CPA license.

This exploratory study examines accounting choices made by accounting students at two universities with different accounting curriculum, different ethical course delivery, and different ethical course content to determine what differences exist, if any, in students' accounting choice decision evaluation. The investigation extends previous studies by examining demographic variables in previous studies including work experience, gender, and education level. Students in this study are enrolled in an accounting program that includes the necessary 150 credit hours required of CPA exam candidates in Texas. One university (Campus A) delivers the accounting program in a continuous five year program. Campus B delivers their accounting program as a BBA and MBA specializing in accounting. Age is not included in this investigation as the students are 18 to 30 years old which provides little opportunity for maturity influence (Eweje & Brunton, 2010; Pierce & Sweeney, 2010).

### **TEXAS ETHICS COURSE REQUIREMENT**

The TSBPA requested Texas colleges and universities include a state board approved ethics course in their curriculum effective July 2005. The ethics course was an attempt to raise the level of ethical reasoning utilized in public accounting and became a requirement for those applying to sit for the CPA exam in Texas. Integrating ethics in some other accounting course is not acceptable by the state board as educational credit, thus all acceptable ethics courses are standalone courses in the curriculum. Campus A began offering a required discrete accounting ethics course that met the TSBPA criteria in the fall semester of 2004. Campus B also began offering a general business ethics course in the fall 2004 semester as an elective course recommended for accounting majors.

The Campus A ethics course is an accounting course required of all accounting majors pursuing a Bachelor of Business Administration (BBA) or Master of Professional Accountancy (MPA). It is taught using the case method. The course covers 50 cases with each student responsible for a brief on each case, and one or more case presentations. The program learning outcomes include demonstration of effective oral and written communication skills, exhibition of understanding ethics and social responsibility, application of critical thinking skills, and demonstration of the ability to apply accounting knowledge and skills in the functional area of accounting ethics. The course requires an ethics textbook, CPA review publication, and a novel involving fraud.

The Campus B ethics course is a business law class that undergraduate accounting majors and Master of Business Administration (MBA) students are recommended to take. It is taught using a textbook, videos, cases, and an ethics game with external validity. Each student completes a case position paper and presentation as well as two behavioral ethics simulations and a computer ethics simulation. The Ethics Game is a decision-making process based on traditional western ethical philosophy. The purpose of the topic based simulations is to help students use the perspectives and tools of the four ethical lenses in decision making. The four lenses are rights and responsibilities, results, relationship and reputation. The Ethics Game is

programmed to provide faculty with one combined score for grading. Additionally, each student researches an S&P 500 company to determine whether the company designated an ethics officer during the past ten year period. Course competences include understanding of theories of ethical reasoning, demonstration of written and oral communication skills, team-based abilities, critical thinking, ethical issues in decision making and behaviors, personal accountability for achievement, and competency in basic business principles.

## **STUDY PURPOSE AND METHODOLOGY**

This study focuses on the ethical perspectives of judgments made by students in Texas who aspire to become accounting professionals. With the TSBPA required academic ethics course for students who aspire to sit for the CPA exam in Texas, this study investigates if any difference exists in the accounting judgments between students who study at different Texas higher education institutions using different ethic course content and delivery methodology.

Students in this investigation (N= 612) are studying at two four-year higher education institutions, Campus A and Campus B, that offer the TSBPA course criteria that meets the Texas CPA exam requirements. The students are classified as juniors, seniors or master program students majoring in accounting. Data for this study was collected through the use of a modified questionnaire developed by Merchant (1989) and used by other researchers (Burns & Merchant, 1990; Merchant & Rockness, 1994; Grasso et al., 2009). The questionnaire consists of 13 short scenarios that describe possible questionable operations or accounting management decisions at a hypothetical manufacturing firm. The actions are neither entirely ethical nor completely unethical. The financial information in the questionnaire is amended using the Consumer Price Index to change amounts from their original 1989 values to comparable 2010 values (US Department of Labor, 2011).

The scenarios are designed to respond to operating decisions or to accounting recognition decisions that would normally be part of an audit review. Scenarios No. 1, 2, 3, 5, 6 and 7 address management operating decisions whereas the remaining scenarios address accounting recognition decisions (Table 1).

### **Data collection**

The questionnaire was emailed to declared accounting program students at Campus A and Campus B using Survey Monkey with an assurance of confidentiality. Of the 612 questionnaires sent to students, 133 were returned for a 21.7 percent response rate of the total recipients. The response rate is consistent with social science survey results (Kaplowitz et al., 2004). The responses from the total student responses were divided into early and late responders. Analysis found no significant differences between the two groups of responders suggesting that nonresponse bias did not impact the results.

## **FINDINGS**

The mean student response from the two universities in this study is displayed in Table 1 together with the mean responses of two prior studies (Merchant & Rockness, 1994; Grasso et al., 2009). With the exception of Scenarios No. 7 and 10, students in this study consider the actions to be more unethical than respondents in prior studies (Elias, 2002). Analysis of the sample means found this study's mean values were significantly different from the Merchant and Rockness nonstudent responses ( $\alpha = 0.0187$ ) and the Grasso et al. student responses ( $\alpha = 0.0227$ ). The Grasso

et al. findings did not significantly differ from the Merchant and Rockness responses at the 0.05 level.

**Table 1**  
**Comparative Results with Prior Studies**

Scenario	Decision Basis	Scale 1= ethical 5 = totally unethical			
		Merchant & Rockness 1994	Grasso et al. 2009	This study	
1	CO decided to paint (\$280,000) the organization's headquarters ahead of schedule.	Managerial decision	1.26	1.48	1.58
2	The \$300,000 in expenditures was postponed by the COO to make the first quarter target.	Managerial decision	1.81	2.88	3.59
3	The \$300,000 in expenditures were postponed by the COO from November until January in order to make the budget target	Managerial decision	2.09	3.17	3.95
4	On December 15, a clerk ordered \$6,000 of office supplies in error that were delivered on December 29. The COO instructed the accounting department not to record the invoice until the new fiscal year.	Accounting recognition	3.42	3.76	4.35
5	The COO decided to implement a sales program to recognize sales that would normally occur next year in the current year. Customers would not be obligated to pay the invoice until the new fiscal.	Managerial decision	1.96	2.06	2.82
6	The COO ordered manufacturing to work overtime in December so that everything possible could be shipped by the end of the year.	Managerial decision	1.31	1.44	1.69
7	The COO sold some excess equipment in December and realized a profit of \$75,000.	Managerial decision	1.25	1.98	1.53
8	The COO ordered the organization controller to prepay \$115,000 in travel expenses for next year's trade show to meet profit targets.	Accounting recognition	3.27	3.18	3.47
9	The COO ordered the controller to write down the finished goods inventory by \$1,300,000 due to obsolescence. (i.e., reduce the organization's asset value and record a corresponding loss in the income statement). The COO was fairly confident the finished goods would still be sold at a later date at their full price.	Accounting recognition	3.51	3.54	3.68

10	In the new fiscal year, 70% of the written-off finished goods were sold with the buyer indicating they would purchase the balance. The COO ordered the controller to write the inventory back up to its original full cost (a \$400,000 increase in net income). The motive was to be able to continue working on some important product development projects that might have been delayed due to budget constraints.	Accounting recognition	3.59	3.48	3.33
11	Referring to Scenario 10, the motive for recapturing profits was to meet profit targets.	Accounting recognition	3.69	3.59	3.88
12	Prior to the end of the fiscal year, the COO contacted the consulting firm doing work and asked that the firm not send an invoice for \$60,000 of completed work until new fiscal year. The firm agreed.	Accounting recognition	3.76	3.55	3.57
13	Referring to Scenario 12, rather than \$60,000 of completed work, the amount was \$940,000	Accounting recognition	4.05	3.99	4.12

Student responses for each scenario together with the mean and standard deviation are shown in Table 2. The independent sample t-test used to analyze the students' account choice score is also displayed. None of the managerial operating decisions or accounting recognition student choices is significantly different. The t-test analyses are confirmed using the non-parametric alternative Mann-Whitney U Test. The Mann-Whitney analysis, like the t-test, found no significant difference for any of the accounting choices pertaining to the scenarios at the .05 level or less for the students at the two universities.

**Table 2**  
**Campus A vs Campus B Students' Evaluations**  
**Regarding Scenarios**

		Total N	Mean*	S Dev	t	Sig.
<b>S1</b>	<b>Paint ahead of schedule</b>				0.189	0.850
	Campus A	88	1.59	0.967		
	Campus B	43	1.56	0.854		
<b>S2</b>	<b>Defer disbursements - month</b>				-1.525	0.130
	Campus A	87	3.46	1.354		
	Campus B	44	3.84	1.346		
<b>S3</b>	<b>Defer disbursement - year</b>				-0.947	0.345
	Campus A	86	3.87	1.445		
	Campus B	43	4.12	1.238		
<b>S4</b>	<b>Record supplies next year</b>				-1.534	0.128
	Campus A	84	4.26	1.007		
	Campus B	44	4.52	0.698		
<b>S5</b>	<b>Pull sales - liberal terms</b>				-0.609	0.544
	Campus A	80	2.76	1.285		
	Campus B	39	2.92	1.476		

<b>S6</b>	<b>Overtime to maximize shipments</b>				1.158	0.249
	Campus A	83	1.76	0.958		
	Campus B	43	1.56	0.854		
<b>S7</b>	<b>Sell excess equipment</b>				-0.248	0.805
	Campus A	82	1.51	0.959		
	Campus B	43	1.56	1.031		
<b>S8</b>	<b>Prepay next year's expense</b>				-1.440	0.153
	Campus A	80	3.34	1.387		
	Campus B	40	3.73	1.396		
<b>S9</b>	<b>Write down inventory</b>				-1.336	0.184
	Campus A	77	3.57	1.186		
	Campus B	38	3.89	1.290		
<b>S10</b>	<b>Write up inventory - R&amp;D</b>				-0.249	0.804
	Campus A	68	3.31	1.273		
	Campus B	37	3.38	1.534		
<b>S11</b>	<b>Write up inventory - profit target</b>				-0.082	0.935
	Campus A	70	3.87	1.154		
	Campus B	37	3.89	1.350		
<b>S12</b>	<b>Delay consultant pay - small amt</b>				-1.028	0.306
	Campus A	77	3.48	1.263		
	Campus B	38	3.74	1.245		
<b>S13</b>	<b>Delay consultant pay - large amt</b>				-1.537	0.127
	Campus A	76	4.00	1.222		
	Campus B	37	4.35	0.949		

Sig. = 2-tailed

**\*Legend: Choice designation**

- 1= Ethical
- 2= Questionable
- 3= Moderately unethical
- 4= Seriously unethical
- 5= Totally unethical

The managerial scenario means are grouped together and compared to a grouping of the accounting recognition scenario means to determine if any difference exists. Table 3 displays the comparison of the two different decision types using this study's mean data reported in Table 1.

**Table 3**  
**Comparison of Managerial Decision Scenarios to Accounting Recognition Judgments**

Managerial Decisions Scenarios	Overall Mean	Accounting Recognition Scenarios	Overall Mean
1 - Paint ahead of schedule	1.58	4 - Record supplies next year	4.35
2 - Defer expend month	3.59	8 - Prepay next yr's expense	3.47
3 - Defer expend – year	3.95	9 - Write down inventory	3.68
5 – Sales prog - liberal terms	2.82	10 - Write up Inv - prod dev	3.33
6 - Overtime to max shipments	1.69	11 - Write up inv - profit target	3.88
7 - Sell excess assets - profits	1.53	12 - Delay consult pay - small	3.57
		13 - Delay consult pay - large	4.12
Overall Managerial Decision Average Mean	2.53	Overall Accounting Recognition Average Mean	3.77

Scale: 1 = ethical 5 = totally unethical

These data support the Burns and Merchant (1990) study that identifies manipulating accounting recognition methods is much less acceptable to respondents than manipulating operating managerial decisions. As evidenced by the comparative data displayed in Table 3, this study's managerial versus accounting recognition means results in a significant difference at  $\alpha = .007$  which is comparable to the Grasso et al. (2009) study and in contrast to the Merchant and Rockness (1994) data that the managerial decisions' mean was not significantly different from the accounting recognitions' mean. This study does find Texas students make more conservative judgments than students in earlier studies. Given that no significant difference was found between the Texas students studying at the two universities based on their accounting choices, perhaps other differences exist between the two student bodies based on variables such as gender, level of education (undergraduate versus graduate), and work experience?

### **Gender**

Overall, females represent a majority of the respondents (59 percent) at both institutions. Neither the overall analyses nor the analysis of students at each of the institutions found any significant differences on any of the 13 scenarios based on gender. This contradicts Miori et al. (2011) and Keith et al. (2009) findings that females were universally more ethical than males.

### **Level of education**

A majority (62.4 percent) of the students in this study are undergraduates i.e., students who have not yet completed 120 credit hours in their accounting degree program. The analysis based on level of education found no significant difference in accounting choices based on college class (undergraduate versus graduate) for each of the two universities together with the overall difference based on the class. The findings of no significant difference based on education level supports the Karcher (1996) and Pierce and Sweeney (2010) studies but contradicts other studies (Eynon et al., 1997; Thorne, 1999) that claim that an increase in education increases moral reasoning.

### **Work experience**

Both institutions in this study offer classes during the day and early evening that allow students to combine work and study. Thus, over 56 percent of the students in this study are employed. They tend to be employed as staff workers (40 percent) or middle management (21.3 percent) with another 20 percent employed as a student worker at their respective university. Of those who are staff workers or middle management, a majority (72 percent) have more than three years of experience that includes 15 students who report having more than 11 years of work experience. Because of the day and evening scheduling of classes, it is not surprising that 30 percent of the working students are full-time employees.

Neither Campus A nor the Campus B students had significant differences among the 13 scenarios. However, it is interesting to note that the unemployed students report a higher rate of unethical accounting choices on the scenarios (8 of the 13 decisions) which do not provide support for Pierce and Sweeney (2010) findings as they report that those with the least work experience had the lowest ethical judgment when making decisions. However, the overall unethical accounting choices support Eweje and Brunton (2010) and Glover et al. (2002) studies that report a positive relationship between work experience and ethical decision making.

## **DISCUSSION AND CONCLUSION**

This study explores accounting choices of students studying at two Texas universities that offer an approved curriculum for the students to sit for the CPA exam in Texas. The investigation is based on the students' accounting choices on 13 scenarios that are neither completely ethical nor completely unethical. Students in this study tend to be undergraduate accounting majors who are female and more often than not employed in a job other than as a student worker at the institution where they are studying. The students predominately hold staff or middle management positions and surprisingly many have at least three years of work experience.

This study's findings are tentative due to several limitations. First, the scenarios used to gather the students' accounting choices were sufficiently brief with little detail. Students may have had assumption differences based on their experiences and expectations. More details such as information and content explanation incorporated within the scenarios might produce different evaluations.

Second, the students are located in one region of the state and their decisions may not be generalizable to other states or regions. Several studies (Carter, 2007; LeCompte, 2005) discuss the cultural divide that exists in Texas due to its location in the middle of the Bible belt. These differences could influence a different ethical expectation or conclusions (Elias, 2010). This is particularly evident as prior studies (Merchant & Rockness, 1994; Grasso et al., 2009) were conducted in large metropolitan areas of the eastern and western United States. In addition, none of the students in this study were studying at private higher education institutions. Given these constraints, the findings can be generalized only to students' evaluations who attend a public institution in a comparable conservative cultural region.

Lastly, although the student respondents were assured confidentiality and the responses were anonymous, some response bias could be present such as the background characteristics of the individual students.

This study sought to uncover differences between students studying at two universities in Texas with different curriculums and delivery mode for the ethics course. The students' responses in this study were significantly different from earlier studies' participants (Table 1). However, no significant differences were identified among the students' decisions in this study regarding any of the 13 scenarios (Table 2). Based on an analysis of the students representing the two universities as well as overall, there was sensitivity to accounting recognition versus managerial decision as the students were more receptive to managerial decisions with the exception of Scenarios 2 and 3 (Table 3). Even with the finding of differences among the students based on gender (Miori et al., 2011; Keith et al., 2009), educational class (Eynon et al., 1997; Thorne, 1999), and employment (Eweje & Brunton, 2010; Glover et al., 2002), the only significant difference among students' accounting choices in this study was Scenario No 11 writing up inventory value ( $\alpha=.05$ ) when the students' decisions were investigated based on whether an ethics course had been completed. A review of the Campus mean (Table 2) indicates Campus B students report more unethical accounting choice judgments than the Campus A students.

Although no significant differences were found between the two student groups, the findings support McGuire et al. (2012). Their study reports Texas as one of the top-ten most religious states located in the Southern US and that those who reside in religious areas find management decisions less objectionable than accounting manipulations. This demonstrates that students must appreciate the creativity and effectiveness that managerial decision making



requires and they should not rely on policy restrictions and accounting guidance. Ethics and personal integrity should be a primary concern in ongoing business decisions.

This study adds to the literature by providing an understanding of the ethical evaluations of students attending two public higher education institutions in Texas. The study does not provide any information about why the students made their accounting judgments. More can be accomplished in future studies that investigate students' motivation and rationale for accounting choices. Future research should employ more extensive descriptions in each scenario to eliminate assumptions as well as expand the scenarios to incorporate other ethical value judgment situations faced by today's business managers. Future studies must also query a larger, diverse, and representative population that allows for an expansive generalization of the findings.

## REFERENCES

- AccountingCoach. (2013). Introduction to CPA requirements. *Accounting Career Center*. Retrieved from [www.accountingcoach.com/careers/cpa-requirements.html](http://www.accountingcoach.com/careers/cpa-requirements.html).
- Bernardi, R. A., & Bean, D. F. (2006). Ethics in accounting education: The forgotten stakeholders. *The CPA Journal* 76 (7): 56-57.
- Burns, W. J., Jr., & Merchant, K. A. (1990). The dangerous morality of managing earnings. *Management Accounting* 72 (2): 22-25.
- Carter, S. (2007). Living inside the bible belt. *College English* 69 (6): 572-595.
- Elias, R. Z. (2002). Determinants of earnings management ethics among accountants. *Journal of Business Ethics* 40: 33-45.
- Elias, R. Z. (2010). The impact of locus of control and religiosity on auditing students' ethical reasoning. *Culture & Religion Review Journal* 4: 69-85.
- Eweje, G., & Brunton, M. (2010). Ethical perceptions of business students in a New Zealand university: Do gender, age and work experience matter? *Business Ethics: A European Review* 19 (1): 95-111.
- Eynon, G., Hill, N. T., & Stevens, K. T. (1997). Factors that influence the moral reasoning abilities of accountants: Implications for universities and the profession. *Journal of Business Ethics* 16 (12-13): 1297-1309.
- Glover, S. H., Bumpus, M. A., Sharp, G. F., & Munchus, G. A. (2002). Gender differences in ethical decision making. *Women in Management Review* 17 (5): 217-227.
- Grasso, L., Tilley, P., & White, R. (2009). The ethics of earnings management: Perceptions after Sarbanes-Oxley. *Managerial Accounting Quarterly* 11 (1): 45-69.
- Haas, A. (2005). Now is the time for ethics in education. *The CPA Journal* 75 (6): 66-68.
- Kaplowitz, M. D., Hadlock, T. D., & Levine, R. (2004). A comparison of web and mail survey response rates. *Public Opinion Quarterly* 68 (1): 94-101.
- Karcher, J. N. (1996). Auditor's ability to discern the presence of ethical problems. *Journal of Business Ethics* 15 (10): 1033-1051.
- Keith, N. K., Perreault, H. R., Chin, M., & Keith, M. (2009). The effect of gender on the importance of business ethics and managerial decisions: A student perspective. *The Delta Pi Epsilon Journal* 51 (3): 125-136.
- Lam, M., & Samson, W. D. (2005). Support for accounting ethics course comes from historical roots of the profession. *The Accounting Educator* 14 (3): 6-9.
- LeCompte, K. (2005). East Texas oilfield schools. *American Educational History Journal* 32 (2): 145-152.

- McGuire, S. T., Omer, T. C., & Sharp, N. Y. (2012). The impact of religion on financial reporting irregularities. *The Accounting Review* 87 (2): 645-673.
- Merchant, K. A. (1989). *Rewarding Results: Motivating Profit Center Managers*. Boston: Harvard Business School Press.
- Merchant, K. A., & Rockness, J. (1994). The ethics of managing earnings: An empirical investigation. *Journal of Accounting and Public Policy* 13 (1): 79-94.
- Miori, V. M., Doyle, K. A., & Campbell, K. (2011). Gender differences in academic ethics with recommendations for curricular change. *Journal of College Teaching & Learning* 8 (3): 7-20.
- Pierce, B., & Sweeney, B. (2010). The relationship between demographic variables and ethical decision making of trainee accountants. *International Journal of Auditing* 14: 79-99.
- Saad, L. (2008). Nurses shine, bankers slump in ethics rating. *Gallup's Honesty and Ethics Poll*. 1-2. Retrieved from <http://www.gallup.com/poll/112264/nurses-shine-while-bankers-slump-ethics-ratings.aspx>.
- Smith, A., & Hume, E. C. (2005). Linking culture and ethics: A comparison of accountants' ethical belief systems in the individualism/collectivism and power distance context. *Journal of Business Ethics* 62 (3): 209-220.
- Thorne, L. (1999). An analysis of the association of demographic variables with the cognitive moral development of Canadian accounting students. *Journal of Accounting Education* 17 (2-3): 157-174.
- Touche Ross. (1988). *Ethics in American Business*. New York: Touche Ross.
- U. S. Department of Labor. (2011). Consumer Price Index. *Bureau of Labor Statistics*. Washington, DC: ftp.bls.gov/pub/special.request/cpi/cpi.txt.

### **AUTHOR INFORMATION**

**George L. Hunt**, Ph.D., Deceased, was Interim Director and Associate Professor, Gerald W. Schlieff School of Accountancy, Stephen F. Austin State University, Nacogdoches, Texas 75962. His research interest included financial accounting, accounting education and accounting research.

**Mary Fischer**, Ph.D., Professor, College of Business & Technology, The University of Texas at Tyler, Texas 75799. Her research interest includes financial accounting, nonprofit and government organizations, auditing and accounting education.

**Treba Marsh**, DBA, Professor, Gerald W. Schlieff School of Accountancy, Stephen F. Austin State University, Nacogdoches, Texas 75962. Her research interest includes state and local public finance, financial accounting, internal controls, and public budgeting.