PROPOSED INTERNATIONAL EDUCATION GUIDELINE
(AS SEEN BY CAG IN FEBRUARY 2006)

APPROACHES TO DEVELOPING AND MAINTAINING PROFESSIONAL VALUES,
ETHICS, AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

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PURPOSE OF THIS GUIDELINE

1. International Education Guidelines (IEGs) assist IFAC member bodies to implement generally accepted “good practice” in the education and development of professional accountants by providing advice or guidance on how to achieve “good practice” or current “best practice”.

2. This IEG provides recommendations for developing and maintaining professional values, ethics and attitudes for pre-qualification and post-qualification education programs. International Education Standard (IES) 4, *Professional Values, Ethics and Attitudes*, requires IFAC member bodies to devote a portion of the pre-qualification education program for professional accountants to developing professional values, ethics, and attitudes.

3. This Guideline provides guidance to IFAC member bodies on how to achieve good practice in developing professional values, ethics and attitudes in accordance with IES 4. The Guideline also discusses how member bodies may ensure professional accountants maintain professional values, ethics, and attitudes throughout their careers through continuing professional development.

4. The aim of this Guideline is to assist IFAC member bodies to discharge their responsibilities to incorporate ethics education within their pre-qualification education program, so that candidates admitted to membership possess the professional values, ethics, and attitudes required of professional accountants.

5. This Guideline replaces IEG 10, issued in November 1992.

DEFINITIONS

6. The following terms used in this IEG are defined in the Framework to International Education Standards as follows:

   **Education** is a systematic process aimed at developing knowledge, skills and other capabilities within individuals. It includes “training”.

   **Professional values, ethics and attitudes** are the professional behavior and characteristics that identify professional accountants as members of a profession. They include the principles of conduct (i.e., ethical principles) generally associated with, and considered essential in defining the distinctive characteristics of, professional behavior.

   **Training** is pre- and post-qualification educational activities, within the context of the workplace, aimed at bringing a student or professional accountant to an agreed level of professional competence.

This IEG introduces the following new term:

**Ethics education** is all education and development that enhances and maintains professional values, ethics, and attitudes.
Scope of the Guideline

7. This IEG is to be read in conjunction with (a) IES 4, (b) the research report entitled *Approaches to the development and maintenance of professional values, ethics and attitudes in accounting education*, and (c) the *Ethics Education Framework - Toolkit*.

8. The research report, which contains detailed background literature and research findings, underpins this IEG. The Toolkit provides a range of practical resources useful for implementing the guidance provided in this IEG, and meeting the obligations prescribed in IES 4.

9. The IAESB recognizes that member bodies are at different stages in developing their education programs. Some member bodies may already have addressed a number or all of the issues considered in this Guideline. Other member bodies may have yet to consider such issues. All member bodies should review their existing arrangements and consider where they stand in implementing IES 4.

10. The IAESB is conscious of (a) the wide diversity of culture, language, and educational, legal, and social systems in the countries of the member bodies, and (b) the variety of functions performed by accountants. Each individual member body should therefore establish its own detailed requirements for pre-qualification and post-qualification education and development programs, and develop its own implementation strategy. IFAC has established an international *Code Of Ethics For Professional Accountants* (IFAC Code), which all member bodies must follow as the minimum standard of expected behavior for individual accountants. The conceptual framework adopted by the IFAC Code forms the basis of the approach of the Ethics Education Framework (EEF) recommended by the researchers.

Background

11. In October 2003, the IFAC Education Committee issued the first IESs addressing pre- and post-qualification education for professional accountants.

12. In 2004, the IAESB commissioned a major research project entitled, ‘*Approaches to the development and maintenance of professional values, ethics, and attitudes in accounting education programs*’. The ultimate aim of the project was the development of an IEG to assist and encourage member bodies and academics to adopt a range of appropriate approaches to developing professional values and ethics in educating and training all professional accountants.

13. The researchers consulted a wide range of personnel drawn from member bodies, accounting firms, corporations, and academics, to arrive at a well-researched flexible framework of ethics education consistent with IES 4. This flexible framework forms the basis of this IEG.
14. Professional values and ethics pervade everything professional accountants do, and how the profession contributes to confidence and trust in the marketplace. Ethical behavior is as important as technical competence. The development of professional values and ethics is therefore integral to all accountancy education.

15. Professional values, ethics, and attitudes cannot be easily learned or assessed only through traditional means such as lectures or examinations. A variety of approaches, including case studies, work experience, coaching, and simulations are necessary to expose candidates to ethical problems and dilemmas, and achieve the ultimate objective of producing ethical professional accountants.

The Environment

16. The globalization of accounting and financial reporting, and the resultant competitive environment in which financial services are offered, has implications for the accounting profession and the ethical standards it is perceived to hold. Professional accountants regularly encounter situations that threaten compliance with the fundamental principles of professionalism and ethics. The public increasingly relies on the ethical integrity of the profession and its members, to ensure that professional responsibilities are upheld and the public interest is safeguarded.

17. A study of ethics in accounting begins with the simple observation that the actions of accountants affect others. Professional accountants, who as members of a profession are expected to demonstrate professional values, ethics, and attitudes, have a commitment to enhance community interests. This includes the interests of clients, lenders, governments, employers, employees, investors, the business and financial community, and others who rely on the work of professional accountants. In accounting, this commitment is generally referred to as ‘serving the public interest’.

18. The accounting profession traditionally maintains and enforces high ethical standards through self-regulation, including issuing and enforcing codes of ethics. Codes of ethics are only a partial solution to the public’s perception of the behavior of professional accountants. Codes can only guide one’s behavior; ethical decisions ultimately are made individually.

19. Enriching ethics training in accounting education and improving ethical behavior is one way of enhancing the ethics of the profession. Understanding and being able to apply ethical principles are essential attributes of an accounting professional. The starting place for developing such attributes is accounting education.

20. Evidence of the direct curricula approach to ethics education first appeared during the 1970s, and then was gradually extended with time. Although the trend is encouraging, the evidence also indicates that most learning programs don’t cover accounting ethics education in a significant way. Due to limited ethics coverage in accounting education programs, accounting professionals will not likely receive sufficient ethics training. It is therefore the role of member bodies, corporate trainers, and education providers to ensure that professional accountants receive adequate ethics education.
Goals of Ethics Education

21. Ethics education provides a learning structure in which ethical threats or issues are identified and analyzed, to develop professional accountants’ capabilities to resolve ethical issues. Ultimately, professional accountants must be able to make well-informed decisions and take appropriate responsible actions. Specific goals of ethics education include:

a. Enhancing the knowledge of (i) relevant standards and (ii) expectations of ethical and professional conduct
b. Developing a sense of professional responsibility with ethical sensitivity and an appreciation of ethical threats
c. Improving professional judgment by sharpening ethical decision-making skills.
d. Developing a commitment to ethical behavior.

Knowledge

22. Professional accountants must understand the relevant ethical and professional standards and principles relating to accounting. Without core knowledge of ethical and professional principles, ethical outcomes are unlikely.

Sensitivity

23. Ethical sensitivity is the (a) ability to recognize an ethical threat or issue, (b) awareness of alternative courses of action leading to an ethical solution, and (c) knowledge of the effects of each alternative course of action on the parties. Enhancing ethical sensitivity will enable accountants to more readily identify ethical predicaments, which they must then resolve.

24. The ability to make ethical judgments and behave ethically presupposes the accountant’s ability to recognize an ethical issue. Professional accountants who are ethically sensitive are more likely to make decisions that take ethical principles into account

Judgment

25. Professional accountants must take ethical matters into account in making decisions. Core ethical values are an important part of professional judgment. Choosing the right values requires ethics knowledge and ethical sensitivity.

Ethical behavior

26. Accounting professionals must not only be proficient technically, they must also be able to deal with ambiguous facts and situations where stakeholders’ interests conflict. Accountants must therefore not only recognize ethical issues, they must also be committed to take ethically sound actions.
27. Ethics training provides accountants with the confidence to deal with ethical conflicts. Without training in ethical decision-making, accountants may succumb to the demands of their environment.

**The Ethics Education Framework**

28. This Guideline proposes an Ethics Education Framework (EEF) that offers a flexible structure for member bodies to develop a program of ethics education. The EEF is produced in Appendix 1.

29. The EEF recognizes that ethics education is a lifelong commitment that begins early in a pre-qualification program, and continues throughout one’s career. The EEF recognizes this lifelong commitment and the objectives of ethics education by establishing a four-stage learning continuum. The four stages are:

1. Ethics knowledge
2. Ethical sensitivity
3. Ethical judgment
4. Ethical behavior

**Stage 1 Ethics knowledge**

30. Ethics education at this stage communicates fundamental knowledge on matters concerning professional values, ethics, and attitudes. Stage 1 focuses on the intellectual background necessary for an understanding of:

(a) the basic environment that influences decisions; and  
(b) the fundamental theories and principles of  
    (i) ethics,  
    (ii) virtues, and  
    (iii) individual ethical development  
that govern one’s actions.

Ethics knowledge develops social, ethical, and emotional intelligence.

**Stage 2 Ethical sensitivity**

31. Stage 2 applies the basic ethical principles introduced in Stage 1 to the relevant functional areas (e.g. auditing and taxation) of accounting practice. Stage 2 sensitizes individuals to the ethical dimensions of accounting practice to ensure they are capable of recognizing ethical threats.
Stage 3 Ethical judgment

32. Stage 3 is an application stage, where individuals learn how to integrate and apply ethics knowledge and sensitivity to form reasoned and well-informed decisions. Stage 3 is designed to assist individuals to decide on ethical priorities and apply a well-founded process for making ethical decisions.

Stage 4 Ethical behavior

33. To act ethically means to act on principles, not merely believe in them. Professional accountants must therefore not only refrain from harming others, they must also take the right course of action. Stage 4 is concerned with how to behave ethically in all situations and environments (such as the workplace).

Content of the Ethics Education Framework

34. The content of pre-qualification and post-qualification ethics education programs can vary with individual preferences and resources. IES 4 has introduced several topics that must be included in these programs. The topics shown below, which the IFAC research report identified as important, incorporate the requirements of IES 4. Education providers may introduce topics in whatever sequence they choose.
### IEG Toolkit topics

<table>
<thead>
<tr>
<th>IEG Toolkit topics</th>
<th>IES Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A framework approach</td>
<td>• The nature of ethics</td>
</tr>
<tr>
<td>• Concepts and values</td>
<td>• Differences between detailed rules-based and principles-based approaches to ethics, their advantages and drawbacks;</td>
</tr>
<tr>
<td>• The environment - corporate, professional, and regulatory</td>
<td>• Professional behavior and compliance with technical standards</td>
</tr>
<tr>
<td>• Professional ethics</td>
<td>• Concepts of independence, skepticism, accountability, and public expectations</td>
</tr>
<tr>
<td>• Ethics and law, including the relationship between laws, regulations, and the public interest</td>
<td>• Ethics and law, including the relationship between laws, regulations, and the public interest</td>
</tr>
<tr>
<td>• Compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality</td>
<td>• Compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality</td>
</tr>
<tr>
<td>• Decision-making</td>
<td>• Ethics and the individual professional accountant: whistle blowing, conflicts of interest, and ethical dilemmas and their resolution</td>
</tr>
<tr>
<td>• Ethical threats and safeguards</td>
<td>• Consequences of unethical behavior to the individual, the profession, and society at large</td>
</tr>
<tr>
<td>• Enterprise governance</td>
<td>• Ethics in relation to business and good governance</td>
</tr>
<tr>
<td>• Social and environmental issues</td>
<td>• Ethics and the profession: social responsibility</td>
</tr>
</tbody>
</table>

A brief description of each topic listed under the column entitled IEG, and an explanation of how the four stages apply to each topic is presented below. The detailed EEF, including topics and recommendations of the stages in which each sub-topic should be introduced, can be found in Appendix 1.
A Framework Approach - An ethics framework for accounting and finance professionals

35. This topic provides an understanding of the impact that relationships and interests of different stakeholders have on the work of the accountant. The ethics framework shows (a) the relationship between individual ethics and workplace ethics, and (b) the influences of other factors on the professional values, ethics and attitudes of accountants. Accountants and accounting students are provided with a structure upon which ethics knowledge, ethical sensitivity, judgment, and behavior are based. This topic applies to all stages.

36. Ethics is defined within the EEF. At Stage 1 for example, ethics can be defined simply as how accountants ought to behave. At higher stages, ethics is studied in the context of its relationship with society and the profession. Ultimately, ethics should be appreciated as (a) the evaluation and application of a process of reasoning that takes into consideration all relevant factors and principles, and (b) a commitment to choosing actions that are morally sound, and that demonstrate professionalism and integrity.

This topic should be included in all stages.

Concepts and Values - Concepts, theories, principles and values

37. Students must be conversant with the basic tenets of ethical theories, and their strengths and weaknesses. These theories are then used to identify and analyze ethical issues in specific situations. Theories of ethics enable students to reason more clearly when confronted with moral dilemmas. Providing students with case studies without theoretical tools will not help the student to analyze and make ethical judgments about ethical issues.

38. Although students learn the language of ethics, and can justify proposed actions, this falls short of instilling ethical behavior. Value-based ethics education focuses upon growth of ethical judgment and behavior, emphasizing character development and the belief that appropriate ethical behavior will follow from deeply held practices and values. In value-based education, societal values are derived from current law and doctrines espoused by religion, social justice, and human rights. In the accounting profession, professional values are derived from accounting and auditing standards, and codes of professional conduct.

The Environment - Corporate, professional, and regulatory environment

39. This topic considers the different stakeholders and their influences on the corporate and professional environment. It can be presented in different degrees of detail in different stages. The regulatory environment should be introduced at Stage 2 and elaborated on at higher stages.
40. Teaching of the regulatory environment should be based on each country’s legal and financial regimes. Moreover, as accounting is increasingly globalized, knowledge of International Standards on Auditing, International Financial Reporting Standards and legal reforms such as the Sarbanes-Oxley Act in the US is of fundamental importance in understanding global influences on accountants. This topic should also be included in continuing education (professional development), i.e. Stage 4.

Professional Ethics - Professional ethics, guidance and self-regulation

41. This topic discusses in detail the professional standards and what is expected of accountants, beginning at Stage 2.

42. Professional ethics guidelines must be fully discussed and not just read. The importance of the IFAC Code, and its underlying assumptions should be fully understood, and the ability to choose from its different principles should be developed through practice. Hence, this topic provides the basis for developing professional attitudes. Professional accountants should also be aware of the differences between ethical pronouncements in different countries.

43. Studying the sociology of professions enables learners to better understand the role of professions, and the role learners play as professional accountants. At Stage 2, accounting students should be able to appreciate the differences between the rules-based approach and principles-based approach to ethical decisions.

Ethical Decision-making - Tools for ethical decision-making

44. This topic provides a systematic approach to analyzing and managing ethical issues or threats. Models of ethical decision-making are introduced. The models should be learned after appreciating the different factors that may influence an accountant’s role, including (a) the corporate and professional environment, (b) regulatory frameworks, and (c) professional ethical standards. One of the most commonly adopted ethical decision-making model is described in paragraph 91. Accounting students and accountants should appreciate that these models are tools only. They are designed to provide examples of a systematic process for evaluating an ethical situation or risk, so that all relevant factors and principles are considered. The models can be adapted for application of professional standards to assessments of situations. Appendix 2 describes some more commonly used ethical decision-making models. This topic can be introduced towards the end of Stage 2.

45. The level of an individual’s ethical awareness and development may determine how that individual thinks about ethical dilemmas, but knowing this level is not sufficient to explain or predict ethical behavior. Additional individual variables (e.g., ego strength, field independence and locus of control) and situational variables (e.g., job context and organizational culture and characteristics of the work) also affect responses to ethical dilemmas. If ethical behavior reflects both individual and situational influences, then the subject of ethics education in post-qualifying programs should centre on situational ethics. This broadly includes:
• Why good people behave badly
• Factors affecting ethical decision-making
• The effects of group pressure on ethical decision-making

Ethical threats and safeguards

46. Ethical threats exist when accountants are confronted with competing interests that may compromise the ethical behavior expected of a professional accountant. Ethical threats can occur when accountants face pressure to comply with an unethical or a self-interested request of a client or an employer. Ethical threats or issues exist in (a) financial reporting tasks (e.g., earnings management), (b) auditing and assurance engagements (e.g., risk of compromising integrity and independence), or (c) in services such as taxation or financial planning services, where self-interested clients or employers dictate the actions of the accountants.

47. The IFAC Code offers a framework of ethical threats and safeguards. In ethics education, students must develop the ability to identify ethical threats and appreciate the importance of establishing safeguards, either within their reporting systems or through the support of their professional body. The topic should be included in all stages.

Enterprise governance

48. Ethics is fundamental to corporate governance and good corporate practice. Accountants must understand the criteria for effectively assessing and enhancing corporate governance.

Social and environmental issues

49. The accountant serves the public interest and plays an important role in enhancing corporate social responsibility. The accountant is said to be the moral agent of an organization who can influence its ethical and social well-being. This topic includes the latest developments in social and environmental issues that relate to the accountant’s work, and develops the skills the accountant needs to practice social responsibility.

Other topics

50. Other topics may be introduced in Stage 2, or in Stages 3 and 4, to expose professional accountants to ethical issues in particular settings that reflect real world problems. Examples of these topics are:

• Ethics within small and medium-sized enterprises (SMEs)
• International business practice, culture, and ethics
51. Tolerating different business practices in international businesses may raise ethical threats. For example, where sales commissions are commonplace, accountants must clearly understand their professional responsibilities and exposure to liability.

52. Variations in ethical perceptions across nations pose unique threats to multinational firms. These perceptions depend on the judgment, norms, and standards of staff in each country. It is not unreasonable to expect that cultural factors may influence ethical beliefs and attitudes. Individuals from different cultures therefore have distinct ideas of ethical and unethical behaviors that influence their ethical decisions.

53. Professional accountants may not be fully sensitized to international and cultural differences. They therefore need to understand the trends of globalization and cultural diversity to cope effectively with the pressures of the global market. Accountants must be conscious of the practices of other cultures, and develop a greater understanding and sensitivity of the cultural factors underlying differences.

54. At this point, member bodies should consult the EEF Toolkit, which incorporates the ethics education topics listed in IES 4 into the four stages of the EEF.

IMPLEMENTING THE ETHICS EDUCATION FRAMEWORK

Overview

55. This section explains how member bodies can implement the EEF in a way that suits their circumstances. The EEF can be implemented in two key ways:

i. The Stage Approach

ii. The Topic Approach

The recommended topics and content of the EEF, described in the previous section of this Guideline, are to be included in both approaches.

The Stage Approach

56. The Stage Approach is a broad-based and complete program of ethics education that incorporates (a) the first three stages of the EEF in pre-qualification education programs, and (b) the fourth stage in post-qualification education programs. This approach follows the stages of the EEF. Table 1 below illustrates this approach.

57. For pre-qualification education programs, ethics education can be addressed in a separate course or module, or by integrating the topics in several business or accounting courses or modules.
58. This approach begins by introducing ethics early in the pre-qualifying program (Stage 1), followed by ethical discussion in the existing accounting modules or courses (Stage 2), and culminating in a dedicated finishing module/course that ties together previous ethics material (Stage 3). This complete ‘sandwich’ approach should be applied to realize the maximum benefits from a program of ethics education.

Table 1  The Stage Approach of applying the EEF

<table>
<thead>
<tr>
<th>Stage</th>
<th>Attribute</th>
<th>Objective</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Post-qualifying programs</td>
</tr>
<tr>
<td>4</td>
<td>Ethical behavior</td>
<td>To understand organizational and situational contexts and to sharpen one’s ethical competence in translating knowledge and sensitivity into behavior</td>
<td>Part of the continuous professional ethical training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pre-qualifying programs</td>
</tr>
<tr>
<td>3</td>
<td>Ethical judgement</td>
<td>To integrate knowledge of ethics with sensitivity to develop the competence in making ethical judgements and decisions</td>
<td>A separate required or optional finishing course or module in ethics</td>
</tr>
<tr>
<td>2</td>
<td>Ethical sensitivity</td>
<td>Sensitize learners to ethical issues and threats in the relevant functional disciplines of accounting</td>
<td>Integration of ethical issues across existing subject matter, such as financial accounting, managerial accounting, auditing, and taxation</td>
</tr>
<tr>
<td>1</td>
<td>Ethics knowledge</td>
<td>To develop ethical intelligence by attaining the necessary knowledge of ethical concepts and theories relating to the accountant’s work</td>
<td>A separate required course or module in ethics early in the program</td>
</tr>
</tbody>
</table>

Stage 1 - A foundation module in ethics

59. Students should be exposed to at least one well-organized, reasonably substantive module in ethics education to grasp the importance and complexity of analyzing and solving ethical problems.
60. A separate segment in ethics is introduced in this stage. Positioning ethics education early in a broad-based program is critical. This separate segment (a) conveys the importance of ethics, (b) shapes a positive attitude toward learning ethics, and (c) ensures that learners understand and can apply ethical principles, so that they can address ethical problems raised in subsequent education, thus meeting social, cultural, and professional expectations. The ability to deal with ethical issues will be hindered if professional accountants lack sufficient ethics education early in the pre-qualification education program.

**Stage 2 - Integrating ethics education**

61. Ethical dilemmas arise in all functional areas of professional responsibility. It is important to discuss ethical issues arising naturally from these areas; ethics should therefore be addressed throughout the program of accounting education. Discussing ethical issues that arise in a single functional area will not likely address all relevant issues.

**Stage 3 - A finishing course in pre-qualifying programs**

62. Stage 3 ethics education can take the form of either:

   a. a separate required finishing module/course or
   b. an optional finishing module/course.

**A separate required finishing module/course in ethics**

63. A required finishing module/course in ethics is a valuable component of a broad-based program. It provides an opportunity to focus on certain aspects of ethics, bringing a greater depth of understanding to concepts taught in earlier stages. Ethics learned in a finishing module/course combines, integrates, and gives meaning and purpose to professional values, ethics, and attitudes in the workplace. It seeks to equip candidates with the ethical sensitivity and insight required of professional accountants.

**A separate optional finishing course in ethics**

64. A compulsory finishing course in ethics for all candidates is preferred. Optional courses have the following disadvantages:

   • Only a small number of interested candidates may take an optional course in ethics.
   • Optional courses suffer from self-selection bias. Candidates who voluntarily elect to take a course in ethics may not be those who could benefit from them the most.
   • Optional courses are usually offered in the latter stages of a program; this limits their impact on individual learning.
   • Optional courses can convey a message that being ethical is optional.
Limited Implementation of the Stage Approach

65. IFAC recognizes that implementing all three stages in the Stage Approach may not always be feasible in the short term. Member bodies and educators may therefore choose to incorporate only certain parts of the Stage Approach.

66. This Guideline recommends implementing at least two of the three stages. Implementing only one stage is less likely to adequately develop individuals’ ethics knowledge, ethical sensitivity, and ethical judgement.

67. Alternative strategies for incorporating two elements only of the Stage Approach are illustrated in Table 2.

Table 2 Alternative Strategies of the Stage Approach

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Preferred</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A required module in ethics education early in the pre-qualifying program.</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Integrate ethics education in all functional disciplines of accounting education</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3</td>
<td>A required finishing module in ethics education that pulls together previous ethics education.</td>
<td>√</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>A optional finishing module in ethics education that pulls together previous ethics education.</td>
<td></td>
<td>√</td>
<td></td>
<td></td>
<td>√</td>
</tr>
</tbody>
</table>

Stage 4 - Continuous Professional Development in Ethics

68. Ethics education is a lifelong process. Ethics education through continuing professional development (CPD) after qualifying as a professional accountant is therefore necessary for continued development of ethical decision-making. Ethics education in CPD should focus on assisting individuals to make better ethical choices at critical junctures in their careers, and to reinforce and advance ethical concepts introduced in pre-qualifying education programs.
Continuing education programs play an important role in increasing the ethical reasoning abilities of professional accountants. Recently qualified professional accountants are in an important formative period of ethical development. This early stage of a professional accountant’s working experience probably offers the greatest opportunity to benefit from ethics education programs.

Ethical awareness increases during one’s education and stabilizes when education stops. A single ethics course or module in either pre- or post-qualifying programs arguably will not have a lasting influence on student’s ethical awareness and sensitivity. The transitory nature of ethics education means that post-qualifying programs should revisit and reinforce the knowledge and capabilities learned and acquired in pre-qualifying programs. Ethics education should therefore continue through CPD (Stage 4 of the Framework).

The Topic Approach

The Topic Approach implements any or all of the four stages of the EEF topic by topic in relevant parts of the pre- or post-qualifying programs.

Eight essential topics have been identified in the EEF. Each topic can be learned progressively in four stages: knowledge, sensitivity, judgement and behavior. Member bodies may select any or all of these topics, and incorporate them appropriately in their pre- or post-qualifying programs. This is particularly useful for member bodies who adopt an open-entry system in their recruitment policies. In this case, the member body may include different topics in different levels of their programs.

For example, a member body may incorporate the first topic - learning the ethics framework - in a required unit of its pre-qualifying program. The topic A Framework Approach provides a simple understanding of the nature of ethics (Stage 1 objective) as part of learning conceptual analysis. A more advanced understanding of the topic can be learned at Stage 2, where ethical principles and theories are introduced. Then, in Stage 3, learning this topic is deepened by applying ethical concepts to ethical development, and differentiating between rules-based and principles-based approaches. At Stage 4, ethics is learned through practice in making responsible choices in ethical dilemmas.

The member body can introduce each topic at any point in the program. For example, where entry requirements already include basic ethics education, member bodies may wish to incorporate only selective topics in their pre- and post-qualifying programs.

Because the four objectives of ethics education (ethics knowledge, ethical sensitivity, ethical judgement and ethical behavior) build on one another it is very unlikely that the benefits of ethics education will be fully realized unless the learners have covered all four stages at some point in their education.

The Topic Approach allows member bodies to gradually cover these topics in the different stages of ethics education.
Comparing the two approaches

77. Both approaches emphasize that ethics education is not a specialized, isolated topic, but a course of study that (a) is relevant to all aspects of professional accounting, and (b) should be addressed throughout pre- and post-qualification education programs. Failure to address ethical issues relevant to each functional responsibility sends an inappropriate signal that ethics issues are not important.

78. Whether the Stage or Topic approach is adopted, member bodies and educators should consider exposing students to at least one well-organized, reasonably substantive module in ethics education to help them grasp the importance and complexity of analyzing and solving ethical problems. When to introduce such a module is an important question. Positioning ethics education early in a broad-based program is critical to:

- convey the importance of ethics;
- shape a positive attitude toward learning ethics; and
- ensure that learners are competent to address moral problems in subsequent education.

The ability to deal with ethical issues will be hindered if professional accountants lack sufficient education early in the pre-qualification education program.
DELIVERING ETHICS EDUCATION

Learning and Development Environments

79. Professional accountants are induced to act ethically through (a) ethics education, and (b) work experience and role models that demonstrate ethical behavior. Professional accountants learn principles of good conduct in formal education, and then receive advice and observe how others who face similar issues behave in the workplace.

80. Professional accountants, and individuals studying to be professional accountants, learn professional values, ethics and attitudes in the workplace through observing their peers and supervisors. They also observe organizational practices and cultural norms. Learning ethics in a workplace is as important as learning ethics in educational programs. Employers and professional bodies should therefore work together to develop professional values, ethics, and attitudes, both in pre-qualification and post-qualification education.

81. The nature of work and the professional environment in which accountants operate influence their ethical reasoning. For example, new accountants will modify ethical attitudes as they internalize values of the organization that are demonstrated by their superiors and industry practice. A newly recruited professional operating in an ethical climate will develop a respect for ethical behavior that will overcome any weaknesses in ethical training. Conversely, if peers are behaving unethically, young professionals will be tempted to believe that such behavior is normal and acceptable. In these situations, previous learning may be ignored. Accountants, particularly those lacking in ethical training, may only make morally defensible decisions if the corporate environment supports those decisions.

82. Accounting students should continually be exposed to exercises in ethical awareness, and to the development of skill of making ethical judgments. Trainees in the workplace typically take professional qualifying programs (pre-qualifying programs set by the professional bodies). The ethics elements within these pre-qualifying programs must therefore contain enough practical examples to strengthen concepts.

Delivery Methods

85. The remainder of this section highlights education practices advocated in the ethics education literature.

The lecture method

86. The conventional lecture method is a long-standing method of instruction that emphasizes the transfer of knowledge, rather than the process of learning. There is little evidence that students learn to think, beyond applying technical knowledge to standard accounting problems.
87. Although the lecture method in accounting education is appropriate for developing one’s ability to solve problems mechanistically, it may be inappropriate for developing the capabilities of solving ethical issues creatively. Nonetheless, the lecture method might be considered a suitable method for introducing and describing basic theories and concepts.

**Ethical discussion, exposure to alternative ethical viewpoints, and collaborative learning**

88. Acquiring new ways of thinking often requires changing or discarding previously learned ones. This results from exposure to alternative and higher levels of ethical reasoning. Professional accountants are therefore more likely to develop ethical behavior through exposure and discussion of ethical issues with as many people as possible, particularly with those who understand both the issues and the ethical theories that may apply to them. This helps learners to (a) become familiar with important concepts, (b) gain practice in using the language of ethics, and (c) develop ethical sensitivity and judgment.

89. Small-group learning, which develops skills in leadership, decision-making, trust-building, communication, and conflict management, is an effective method for exposing students to ethical dilemmas. Interaction with other professional accountants in peer-led ethical discussions promotes greater learning than can be achieved individually.

**Case studies**

90. The reality of case studies sparks involvement that engages students and provides insight into what it feels like to experience such problems. By reviewing past events, students can identify predicaments previously faced by accounting professionals, and learn how they were resolved. Other advantages of case studies include:

   a. The development of critical thinking and reflective learning skills
   b. The integration of technical skills and knowledge with ethical decision-making frameworks.

91. The case method effectively develops ethical awareness and analytical skills. One example of successful use of is found in the practice of The American Accounting Association (AAA). The AAA’s *American Accounting Association Ethics Casebook: Ethics in the Accounting Curriculum 1994*, provides commonly used model of ethical decision-making used to analyze and discuss cases:

   - What are the facts of the case? Major facts, pertinent information, and industry and local standards are identified.
   - What are the ethical issues? Students should identify issues and stakeholders.
   - What are the norms, principles, and values related to the case? Consider norms such as profit motive, harms, integrity, and their effect on stakeholders.
   - What course of action is most consistent with these norms, principles, and values?
   - What are the consequences of each possible course of action? Consequences to stakeholders are evaluated.
- What is the decision? A conclusion based on the discussion in earlier parts of the model.

The IFAC Ethics Education Toolkit includes a selection of case studies and accompanying teaching and learning materials that can be used by member bodies and educators.

Role-plays, film/video, literature and games

92. Role-playing, media (print and visual), games, and other novel activities bring issues to life and engage students in learning by making ethics not only relevant to the practice of accounting, but also interesting and fun. Books, movies and biographies do not pretend to be ethics-neutral, and complex plots can engage students emotionally and possibly create personal ethical conflict. Literature also raises imaginative consciousness. Methods that engage the student are more likely to foster ethical sensitivity, judgment and behaviour.

Personal value journals

93. Individuals studying to become professional accountants can be encouraged to examine their attitudes, convictions, and feelings, and record them, and reflections on work assignments, in journals. Such tasks help students learn from their personal experiences.

Work-based placements and mentor-based relationships

94. The level of ethical sensitivity and judgment students develop depends on the extent of their involvement in social, political, cultural, intellectual, and academic experiences. Students’ involvement in social and organizational activities, and interaction with peers and mentors, are likely to effect ethical change. Opportunities to participate in challenging activities contribute to the development of ethical sensitivity and judgment.

95. Learning what is right also comes from observing the right actions of others. Relationships with mentors help students in two ways: first, they develop skills that will improve career opportunities; and second, they develop character through relationships with mentors who act as role models.

Guest speakers and practitioner participation

96. Professional accountants should meet, listen, and work with senior-level accounting professionals. In turn, more senior professional accountants should liaise with students and trainees on the responsibilities and ethical issues accountants face in practice. Inviting practicing professionals to the classroom to share their personal experiences is a valuable method of communicating ethical sensitivity, judgment and behavior in accounting.

Service-learning

97. Service learning, such as community service and working with minorities or the disadvantaged, helps students and professional accountants put ethical theory into action. This can positively affect individuals personal values and commitments.
E-learning

98. In most cases, E-learning should complement and support, but not replace, existing ethics course materials. E-learning should not only be a source of information, it should engage students in learning through case study analysis and on-line discussion. E-learning is effective for promoting dialogue, particularly with people in remote locations and different cultures. E-learning can also empower quieter members of the class to express their own views, and expose students to views from outside their normal peer group.

ASSESSMENT METHODS

Formal assessment

99. Although it is debatable whether formal assessment can determine whether ethical principles and behavior have been adequately learned, it does require candidates to practice ethical decision-making under pressure. Moreover, formal assessment can test standards for attaining the fundamental knowledge of ethical principles and the ability to critically evaluate ethical situations.

100. The traditional examination structure is perceived as ineffective in assessing whether objectives set in teaching ethics have been met. This is due to the lack of weighting of ethics components in exams, or even including ethics questions as optional questions to answer.

101. Case study group assignments are designed to maximize student discussion of ethical issues. Assessments can accomplished through several means:

- Creating databanks of simple case studies requiring completion of a quiz, which are published in the professional magazines/journals, and requiring pre-qualifying candidates to carry out on-line tests;
- A log-book system requiring candidates to provide journals and notes on particular public domain cases;
- Objective testing of ethical aspects of the pre-qualifying programs;
- Using case studies group assignments and workshops to assess candidates’ competence in ethical analysis and decision-making; and
- Using on-line forums to broaden ethical discussion about real issues that face professionals in the workplace.

102. Member bodies, academics, and employers are encouraged to experiment with a range of assessment techniques to better test the candidate’s ability to consider and resolve real ethical issues. IES 6 – Assessment of Professional Capabilities and Competence prescribes the requirements for a final assessment of professional capabilities and competence. Further guidance regarding assessment methods can be found in IEP 3, Assessment Methods.
CHALLENGES IN ETHICS EDUCATION

103. Ethics education presents challenges in delivery and assessment, some of which are highlighted in this section.

**Fixed ethical attitudes**

104. The notion that a person’s ethical framework is fixed and cannot be modified is often cited as the major objection to ethics education. This objection is based on the questionable assumption that the function of ethics education is moral conversion. The primary goal of ethics education is, rather, to provide accountants with the skills to identify and resolve ethical dilemmas. Enhancing ethical and professional sensitivity and improving ethical decision-making makes moral change possible.

105. Education providers should establish clear goals for ethics education that focus on (a) increasing ethical sensitivity, (b) fostering a commitment to professional responsibility, and (c) developing ethical decision-making skills.

**Avoiding Indoctrination**

106. Critics contend that ethics cannot be taught without imposing the educator’s value system, which occurs when educators present a view while discouraging students’ exercise of independent thought. A student who recognizes an educator’s preferred answer is tempted to tailor remarks to that view. On the other hand, logical and ethical arguments may be presented by an educator without suggesting a particular firm ethical position. Educators should therefore offer several perspectives on an issue.

107. Educators should use different methods and models of ethical analysis and expose students to a number of viewpoints, especially in different cultural settings.

**Ethicists or business educators?**

108. Although ethicists bring expert knowledge of ethical concepts and theories, that knowledge is likely to be philosophically based. This may limit consideration of ethical issues to philosophical discussion. This approach places the responsibility for integrating theory with accounting or business solely on the learner, who may fail to grasp the link between the philosophical view of ethics and practical and professional situations.

109. Alternatively, ethics may be taught by business or accounting educators. The credibility of this teaching method is often enhanced by the discipline-specific knowledge held by the educator and experience in encountering professional problems. Business and accounting educators may not, however, have sufficient training in ethical analysis to properly teach ethics.

110. This lack of training means that educators may not know how to bring the discussion to a rational conclusion, instead merely expressing personal views. Learners may
therefore get the impression that moral issues are merely an afterthought, digression, or are inherently incapable of rational resolution.

111. Education providers should encourage and support an education system that provides and supports staff development and research in ethics.

**Dealing with ambiguity**

112. Ethical decision-making requires not simply a choice between two opposite alternatives. It also calls for choosing from a number of alternatives, each with its own benefits and harms for the accountant and the organization, even if these consequences can’t be predicted. The inability to reach a satisfactory moral conclusion may confuse learners, causing them to think that questions of morality appear unanswerable, thus promoting cynicism.

113. By learning to analyze ethical dilemmas, professional accountants will realize that dilemmas do have solutions. Although ethical analysis may not give a single right or just answer to an ethical dilemma, it does lead to some answers that can be seen as more likely right or just.

114. Educators should use different models to help students learn ethical analysis, and provide practical cases for discussion and debate.

**Enhancing resources**

115. Often, resource materials are not suitable for delivering ethics education to professional accountants. They can be too philosophical for practical application to business education; the material often focuses on issues likely to be faced by upper level managers and CEOs; and few case studies in accounting and finance are available, many of them having a North American bias. The coverage of ethics in accounting and auditing textbooks coverage is generally minimal, focusing mainly on codes of ethics.

116. Professional associations, government organizations, publishers, educational providers, and other institutions should encourage and support the development of specific subject matter and cases in ethics that are relevant to the local accounting qualification program.

**Curriculum space**

117. Since curriculum time and space in accounting programs is scarce, the integration of ethics with accounting programs has cost, benefit, and tradeoff implications. Introducing new material invariably means omitting material from studies of more traditional areas of accounting.

118. Calls from external bodies to emphasize the development of analytical and reflective skills in ethics education will support the introduction of ethics into the accounting curriculum.
## Appendix 1: The IFAC Ethics Education Framework

<table>
<thead>
<tr>
<th>Stage</th>
<th>Objective of stage</th>
<th>How to teach</th>
<th>Focus of content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1: Ethics knowledge</td>
<td>To develop ethical intelligence by attaining the necessary knowledge in ethical concepts and theories relating to the accountant’s work.</td>
<td>A separate required module in ethics taught early in the program.</td>
<td>Traditional theories of ethics, virtues, and moral development</td>
</tr>
<tr>
<td>Stage 2: Ethical sensitivity</td>
<td>Sensitize learners to ethical issues and threats in the functional disciplines of accounting.</td>
<td>Integration of ethical issues into existing subject matters such as financial accounting, managerial accounting, auditing, and taxation.</td>
<td>Common issues and dilemmas facing accountants in practice e.g. tax evasion.</td>
</tr>
<tr>
<td>Stage 3: Ethical judgment</td>
<td>To integrate knowledge of ethics with sensitivity in order to develop the competence in making ethical judgements and decisions.</td>
<td>A separate required or optional capstone module/ course in ethics.</td>
<td>Application of ethical theories, social responsibilities, code of professional conduct, and other ethical decision models to ethical dilemmas</td>
</tr>
<tr>
<td>Stage 4: Ethical behavior</td>
<td>To understand organizational and situational contexts and to sharpen one’s competence in translating ethical knowledge and sensitivity into behavior.</td>
<td>Continuous professional ethical training.</td>
<td>Factors affecting ethical decision-making and ethical behavior</td>
</tr>
</tbody>
</table>
## Ethics Education Framework Topics – Details

<table>
<thead>
<tr>
<th>TOPIC</th>
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<th>STAGE 2</th>
<th>STAGE 3</th>
<th>STAGE 4</th>
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</thead>
<tbody>
<tr>
<td><strong>A framework approach</strong></td>
<td>• Nature of ethics</td>
<td>• Ethics and the profession</td>
<td>• Interests of stakeholders and conflicts</td>
<td>• Behavior and influences of stakeholders</td>
</tr>
<tr>
<td></td>
<td>• The ethics framework for accountants</td>
<td>• Accountants and their stakeholders</td>
<td>• Professional conduct and the public interest</td>
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<td></td>
<td>• Rules-based and principles-based approaches</td>
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<td></td>
<td>• The foundations of a profession</td>
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<tr>
<td><strong>Concepts and Values</strong></td>
<td>• Commonly used theories and principles (e.g., Utilitarianism and Deontology)</td>
<td>• Ethics and culture</td>
<td>• Professional values, ethics and attitudes and the code of conduct for accountants</td>
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<td></td>
<td>• Theories of moral development</td>
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<td></td>
<td>• Virtue ethics theory and values-based education</td>
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<tr>
<td><strong>The environment – corporate, professional and regulatory</strong></td>
<td>• The corporation and its interests</td>
<td>• The accounting profession and public expectations</td>
<td>• Investigative reports and professionalism</td>
<td>• Learning with and managing professional responsibilities through case studies</td>
</tr>
<tr>
<td></td>
<td>• The accountant and the stakeholders</td>
<td>• Professional and legal requirements in financial reporting and auditing</td>
<td>• Developments in the profession to enhance professional values, ethics, and attitudes, including codifications and education initiatives</td>
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<td></td>
<td>• Professional responsibilities</td>
<td>• The concept of accountability</td>
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*Prepared by: Simon Thompson (February 2006)*
The regulatory environment:
- The legal framework for businesses and accountants
- The role of accountants in the globalization context
- The impact of legal and other reforms such as the Sarbanes-Oxley Act 2002.

**Professional ethics**
- Compliance with fundamental ethical principles
- Codes of ethics, including corporate codes and underlying rationale
- Technical and ethical standards
- Independence, professional skepticism, accountability and the public interest
- Self-regulation and oversight functions
- Quality and peer reviews
- Case analyses of professional issues
- Current developments in professional ethics and conduct
- Case analyses of professional issues

**Decision making**
- Ethical decision-making models
<table>
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<th>TOPIC</th>
<th>STAGE 1</th>
<th>STAGE 2</th>
<th>STAGE 3</th>
<th>STAGE 4</th>
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</table>
| Ethical threats and safeguards | • Definition and scope of ethics threats and issues in accounting and related areas  
• Introduction of safeguards at professional and firm levels | • Conflicts of interest in corporate and professional environments  
• Different types of ethics threats and ethical issues | • Specific ethics threats and safeguards in accounting, e.g., earnings management situations  
• Ethics threats in auditing and assurance services e.g., threats and safeguards to independence and integrity  
• Ethics threats in other financial services and safeguards  
• Whistle-blowing cases and solutions | • A discussion of current controversial ethical issues relevant to the profession  
• Analyses of threats and safeguards |

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<tr>
<td>Enterprise governance</td>
<td>• The nature, significance and scope of enterprise governance and threats to effective governance</td>
<td>• Corporate and other social responsibilities</td>
<td>• Governance - good practice and issues</td>
<td>• Benchmarking governance cases in practice</td>
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<td></td>
<td>• Theoretical framework including agency problems</td>
<td>• Stakeholder relationships</td>
<td>• Analyses of cases of failures</td>
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<td></td>
<td>• Minimizing the threats of agency costs</td>
<td>• Regulatory framework for corporate and enterprise governance</td>
<td>• Global developments in enterprise and corporate governance</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• The role of accountants and auditors in governance frameworks</td>
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<td></td>
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</tr>
<tr>
<td>Social and environmental issues</td>
<td>• The scope, background and concept of corporate social responsibility</td>
<td>• Measurement and accountabilities in social and environmental reporting</td>
<td>• Regulatory framework</td>
<td>• Benchmarking cases in practice</td>
</tr>
<tr>
<td></td>
<td>• The accountant and society including agency problems</td>
<td>• Issues in social responsibilities and accountabilities</td>
<td>• The role of accountants and auditors in society and businesses</td>
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<tr>
<td></td>
<td>• Minimizing the threats of social costs and liabilities</td>
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<td>• Analyses of cases of social and environmental failures</td>
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<tr>
<td></td>
<td>• Developments in social and environmental frameworks</td>
<td></td>
<td>• Social and environmental accounting and issues</td>
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</table>

*Prepared by: Simon Thompson (February 2006)*
Appendix 2: Some Commonly Used Ethical Decision-Making models

The following lists the five main ethical decision-making models used in business and accounting ethics education. The key elements of each model are provided for illustration only. Readers are directed to the IFAC Ethics Education Toolkit for a more detailed overview of each model.

**American Institute of CPA Ethical Decision Tree**
This was developed by AICPA to help accountants resolve an ethical issue at work by following a series of steps in which the individual:
- reviews established company policies;
- consults respective line managers to ethics and audit committee until a satisfactory solution is offered;
- identifies any additional steps;
- takes action and reviews the decision.

As the decision tree is a flow chart of questions and answers, the individual can readily and easily form an action plan.

**American Accounting Association (AAA) Model**
1. What are the facts of the case?
2. What are the ethical issues in the case?
3. What are the norms, principles and values related to the case?
4. What are the alternative courses of action?
5. What is the best course of action that is consistent with the norms, principles, and values identified in Step 3?
6. What are the consequences of each possible course of action?
7. What is the decision?

*Source: American Accounting Association 1990; Langenderfer and Rockness, 1989, p. 69*

**Tucker’s 5-question model**
Is the decision:
- Profitable?
- Legal?
- Fair?
- Right?
- Sustainable or environmentally sound?
Stakeholder Impact Analysis
Fundamental Interests of stakeholders
Three commonly held interests:
- Well-offness – One’s interests should be better off [Comment: I wonder ‘after what’.]
- Fairness – Fair distribution of benefits and burdens
- Rights – Should not offend the rights of any stakeholder

(Brooks, 2004)

Moral Standards Approach
Decisions are based on consideration of:
- Utilitarianism – Does the action maximize net benefit?
- Individual Rights – Is action consistent with each person’s rights?
- Justice – Will action lead to a just distribution of benefits and burdens?

All standards must be used.