

Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs



**International Federation
of Accountants**

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This information paper was issued by the International Accounting Education Standards Board (IAESB), an independent standard-setting body within the International Federation of Accountants (IFAC). The IAESB develops and issues in the public interest guidance on pre-qualification, training and continuing professional education and development for members of the accountancy profession. The IAESB also acts as a catalyst in bringing together the developed, developing and emerging economies to assist in the advancement of accountancy education programs worldwide, particularly where this will assist economic development.

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PROFESSIONAL VALUES, ETHICS AND ATTITUDES IN ACCOUNTING
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Foreword by IFAC

This paper is the result of a wide-ranging research project into ethics education in the worldwide accounting profession, commissioned by the IFAC Education Committee (now the International Accounting Education Standards Board - IAESB). Between June 2004 and September 2005, a team of researchers, led by Professor Philomena Leung from Deakin University, Australia, conducted an extensive literature review, two online surveys of IFAC member bodies and other stakeholders in ethics education, and held interviews and focus group discussions with 113 individuals internationally to form the basis of their research findings.

In addition to this Information Paper, the research team also produced a draft International Education Practice Statement (previously titled an “International Education Guideline”) and a CD Rom “Ethics Education Toolkit” including sample course outlines, teaching notes, case studies, video clips of ethical dilemmas, and a database of ethics education resource materials to assist member bodies and others in the development of ethics education programs. This is to be released to IFAC member bodies and others in September 2006.

Information Papers promote discussion or debate on education and development issues affecting the accountancy profession, present findings, or describe situations of interest relating to education and development issues affecting the accountancy profession. The aim of such Papers is to provoke consideration of the issues and to encourage comment and feedback so that the issues can be advanced. In this way, they may be useful for exposing views, approaches and methods that are in early stages of development and thus may be useful forerunners to International Education Standards (IES) or International Education Practice Statements (IEPS).

While the IAESB has approved the publication of the research report as an information paper, it should be noted that this is an independent research report, and does not necessarily represent the views of the IAESB or IFAC. Rather, it is issued to promote discussion and debate on the subject of ethics education. For specific guidance endorsed by the IAESB on ethics education for professional accountants, member bodies and others are referred to IEPS 4.1, *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes*, which is planned to be published during 2007.

Purpose of this Information Paper

IES 4, *Professional Values, Ethics and Attitudes* prescribes the professional values, ethics and attitudes professional accountants should acquire during the education program leading to membership of an IFAC member body.

The purpose of this paper is to support the development of IEPS 4.1, *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes*. This will assist and support IFAC member bodies to discharge effectively their responsibilities to ensure that candidates for membership of an IFAC member body are equipped with the appropriate professional values, ethics and attitudes to function as professional accountants.

The IAESB believes that this paper, and the findings of the independent research team, will be of interest and benefit to IFAC member bodies, accounting educators, and others seeking to implement ethics education programs for professional accountants.

Henry Saville
Chairman, IAESB

Executive Summary

The deliverables of the research include this research report, a proposed *International Education Guideline* (IEG 10), a CD Rom containing the Toolkit which supports the IEG and a range of other resources included in the chapters and the appendices. This Executive Summary provides an overview of each Chapter of the Report.

Chapter 1

Chapter 1 discusses an overview of the project, with the details of the aims and objectives (deliverables). These deliverables include:

- An inventory and analysis of different practices, methods and content of accounting ethics education;
- a framework of ethics education and development models and good practice guides at entry and pre-qualification level;
- a framework for continuing post-qualification development;
- advice on institutional strategies, choices and policies for implementation;
- an analysis of applications to academic study, practical experience and assessments of professional competence to align with IES statements and IFAC's mission; and
- a database of ethics support resources for both pre-qualification programs and post-qualification development.

Chapter 2

Chapter 2 introduces the relevant literature in a concise summary, highlighting the overall approach of the project. This chapter also describes the research method, including the definitions, key concepts which governed the project design, and the detailed research methods for data collection and analyses. IFAC, in commissioning the research, has identified a number of deliverables which form the basis of this research output. These deliverables, which have been listed above, form the underlying rationale for the research methods used.

IES 4 *Professional Values, Ethics and Attitudes* recognizes the different environments, different cultures and regulatory requirements [para. 3] of IFAC's 160 member bodies (118 countries). To assist adoption by member bodies, this project considers the fundamental professional values and ethics in IES 4, as applicable to a worldwide audience. The approach contains a number of methods, so that member bodies may adopt a particular method(s) of implementation as appropriate, while satisfying a minimum standard in accordance with IES 4.

The output of this research project is informed by the analyses and results of the following research methods.

- **Resource development:**

The researchers have carried out a wide ranging search of the literature and discussions and debates conducted on ethics education to evaluate the body of knowledge, the topics and contextual issues, the delivery, and appropriate learning aids, in order to derive an appropriate range of ethics resources for IFAC member bodies.

- **Identifying existing ethics education policies of IFAC member bodies:**

An online survey (Survey 1) of all IFAC member bodies was undertaken to identify, assess and analyze existing ethics education elements within current pre-qualification programs, which include educational and other developmental activities. The researchers examined the objectives embodied in these programs and the structures/formats of such programs (distance, face-to-face learning, examination or practical orientation, supervised, etc).

- **Identifying issues relating to ethics education**

A second international online survey (Survey 2) of users and providers of accounting education, and in particular ethics education, was also conducted. The population includes academics and ethics experts, and users such as accountants, business executives and regulators. The survey investigated the features and issues related to existing ethics education and the perceptions of ethics education in general. This online survey was administered to a database of individuals developed for the purpose.

Both surveys examined pre-qualification and post-qualification programs and courses that involve ethics, identified the issues related to such programs and the perceptions of users in respect of their effectiveness. Opinions from experienced individuals from academe, industry and the profession have been gathered and analyzed. The primary analyses of both surveys were quantitative.

- **Semi-structured interviews and focus groups discussions with stakeholders.**

Face-to-face interviews with personnel involved in ethics education, managers, representatives from member bodies and corporate executives were undertaken to enrich the thinking developed from the results of the surveys, and to identify further matters regarding the implementation of ethics educational initiatives not readily disclosed from the surveys. The researchers recognize the practicality of approaching the wide spread membership of IFAC and developed plans for focus group discussions held with stakeholders in regions such as Asia, Europe, and in the Indian sub-continent. This meant broadening the original plan of conducting 20 interviews by actively seeking opportunities and making additional arrangements in order to conduct world-wide focus group meetings. In addition to focus groups, the researchers carried out face-to-face interviews and telephone interviews, especially with personnel whom the researchers considered appropriate due to regional representation, professional types or expertise. The interviews and focus groups discussions form the foundation for the qualitative analyses of the project.

In addition to the IFAC funding, extra financial support was successfully sourced from two of the member bodies of IFAC to help fund the qualitative data collection through focus groups and interviews.

Chapter 3

Chapter 3 discusses the first set of findings. The role of ethics education and related issues are discussed to set the scene and help readers to appreciate the background and need for ethics education. Following a review of the relevant literature, the perceptions of ethics education of member bodies and other professional accountants are addressed. Chapter 3 satisfies the background analyses of all deliverables.

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The following key findings are noted:

- Conflicts of interests, including self-interest threats, are the ethical issues most likely faced by accountants in public accounting practice and business entities and are ethical issues that are also relatively significant in the government and not-for-profit sectors.
- Earnings management issues are believed to be more commonly faced by accountants in business entities than in accounting practices or the government and not-for-profit sectors.
- Representatives of the member bodies in Asia Pacific and in the Middle East and Sub Saharan Africa (MAS) regions were more inclined to believe that self interest was the most likely factor to contribute to ethical failure, than those from other regions.
- Individuals in the MAS region were also more concerned about the lack of ethical sensitivity and failure to make proper professional judgment, leading to ethical failures.
- From the findings, key ethics threats suggested are: self-interest; failure to maintain objectivity and independence; improper leadership and poor organizational culture; lack of ethical courage to do what is right; lack of ethical sensitivity; and failure to exercise proper professional judgment.
- Most respondents agree that ethics should be learned as a form of life-long professional development.
- Good ethics education means requiring learners to think critically before making decisions with ethical implications.
- Most respondents disagree that ethical standards of individuals cannot be changed or improved.
- The individuals interviewed strongly believe in the need for ethical courage to translate values into action, and further believe that ethical behavior can only be maintained where leaders are models of ethical behavior.
- There was a strong consensus that ethics should be learned as part of the pre-qualifying programs and that ethics should be taught as both a dedicated unit and also as an integrated theme within other units of study in pre-qualifying programs.
- There is also a strong belief that professional accounting bodies have a significant role in ethics education and that the nature of ethics education should be prescribed.
- Many interviewees also believe that ethics education should be introduced as part of a broader program to develop accountants' professional values, ethics and attitudes.

This Chapter sets the scene for the remainder of the chapters in the research report. There is positive feedback in relation to the need and scope of ethics education for accountants. Moreover, there is a general belief that ethics education is necessary to ensure coverage of the range of ethical issues faced by accountants in public practice, business entities, the government and not-for-profit sectors. The scope of ethical issues identified by respondents also provides an indication of the direction for ethics education. Professional bodies are generally satisfied with the support that they provide to members. However, to undertake a significant role in ethics education, professional bodies need to consider the continuing nature of ethics education, so that both pre-qualifying and post-qualifying programs offer ethics education as life long or career long learning.

Chapter 4

Chapter 4 is a review of an inventory and an analysis of current practices, including the review of good practice research in relation to professional accounting at pre- entry and post-qualifying levels. Chapter 4 provides the details of deliverables 1, 2 and 3.

The overall objective of this chapter is to examine the current and perceived good practice in relation to ethics education and to relate these practices to the responses of IFAC member bodies and other research findings based on surveys and interviews. As is evident from the literature, curriculum change is generally an evolutionary rather than revolutionary process and while there is growing evidence of business schools and IFAC member bodies responding to the call for greater ethics coverage in their programs, much still remains to be done.

It is noteworthy, however, that IFAC member bodies who responded to Survey 1 expressed very strongly the view that ethics education is necessary to:

- develop a sense of ethical responsibility in accountants;
- improve the moral standards and attitudes of accountants;
- develop the problem-solving skills that have ethical implications; and to
- develop a sense of professional responsibility or obligation.

The member bodies also agreed that ethics education should achieve the objectives of sensitizing and deepening accountants' understanding of ethical issues, and of developing a knowledge and understanding of the Code of Ethics. Ethics education is also seen to be important as a means to respond to the public calls for greater ethics awareness.

Survey 1 considers current practice by examining the member bodies' qualification systems, ethics policies and requirements for ethics education at entry and pre-qualifying levels. The survey also sought information about the extent of ethics education and development embedded within the current programs. In summary, the inventory of current pre-qualifying programs of IFAC member bodies can be described as follows:

- Pre-qualification systems of IFAC member bodies are diverse. Ethics education and development tend to be integrated within the pre-qualification programs, albeit most were not extensive but at or below the 10% content level.
- The extent of ethics education appears to be dependent on the 'space' it constitutes in pre-qualifying programs. Ethical concepts are more liberally covered where ethics is more than 10% of the pre-qualifying programs. On the other hand, most bodies tend to focus on the code and issues directly related to financial services.
- Most member bodies and other ethics education experts and accountants were in agreement with respect to the objectives of ethics education.
- However, a comparison of the perceptions of individuals responding to Survey 2 and the practices of IFAC member bodies regarding ethics education in pre-qualifying programs (as indicated by Survey 1) shows that there are some areas of differences, although this is mainly in terms of the extensiveness of the coverage of particular areas.

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Respondents to Survey 2 in regard to the objectives of ethics education at post-qualifying level felt most strongly that ethics education at this level should enable accountants to achieve the following objectives, namely:

- to support and deepen accountants' understanding of professionalism and develop skills in ethical judgment;
- to help accountants manage and withstand ethical dilemmas and to maintain their ethical standards and attitudes;
- to reinforce practice consistent with the professional code and to help accountants choose ethical priorities; and
- to regain public confidence in accounting and to appreciate the importance of learning ethical conduct in the workplace.

Member bodies were asked to indicate how ethics education was incorporated within their CPD programs. It appears from the survey data that many professional bodies have been relatively conservative in their approach to ethics education. The most frequent response was that ethics development is 'generally encouraged'. While there are variations in CPD offerings in ethics by the member bodies, there was a general consensus that ethics development and training is important, together with the acknowledgement that there are a number of significant ethical issues faced by professional accountants. An important topic rated highly by all regions was the issue of conflicts of interest, such as self-interest and self-review threats. In general, both member bodies and other individuals agreed on the importance of topics for CPD such as issues of conflicts, ethical threats and safeguards, earnings management issues and ethical decision-making skills. Of slightly less importance in CPD were topics concerning forensic accounting and auditing. Whistle-blowing was regarded as less important by member bodies than by other individuals.

Interviewees and focus group participants also provided feedback that a strong emphasis needs to be placed on ethics education, even at the expense of technical training. Respondents made frequent references to the importance of building strong foundations of ethics at the pre-qualifying level, to be supported by compulsory ethics elements in CPD programs.

Chapter 5

Chapter 5 consolidates the detailed findings with relevant literature and reviews, and discusses the frameworks of applications to academic study, including setting objectives, learning and assessment methods. Chapter 5 leads on to the recommendations of the research team for a composite flexible framework which helps member bodies to apply IES 4. Chapter 5 satisfies deliverable 5.

This Chapter also considers the different approaches and practices to ethics education and determines the appropriate objectives of ethics education and the respective issues in teaching, learning and assessments. Chapter 5 brings together the essence of the research findings and the issues relating to ethics education. Research findings from Chapters 3 and 4 show that member bodies and other individuals expressed a strong consensus relating to the importance of ethics education. There was also strong support for a compulsory element of ethics in pre-qualifying

programs, in addition to an integrated approach to cover ethics in all other areas of learning (e.g., Tables 3.5, 3.6, 3.7).

Chapter 6

Based on the above mentioned analysis, supported by the literature and comments from a range of interviewees, Chapter 6 provides an overview of the observations of the researchers, and their views on a flexible approach for the delivery of ethics education by member bodies. In particular, the researchers' proposed Ethics Education Framework (EEF) is presented that encompasses all levels of learning. Various levels that act as building blocks are recommended to be implemented as follows:

Stage 1 Ethics knowledge

Ethics education at this foundation stage aims to instill in accountants fundamental knowledge on matters concerning professional values, ethics and attitudes. Stage 1 forms the intellectual underpinning of professional values, ethics and attitudes.

Stage 2 Ethical sensitivity

Stage 2 applies the basic ethical principles introduced in Stage 1 to the relevant functional areas (e.g. auditing and taxation) of accounting practice. This sensitization stage ensures the development of candidates' sense of awareness in order to appreciate the ethical dimensions of real life issues.

Stage 3 Ethical judgment

Stage 3 is an application stage, where individuals learn how to integrate and apply ethics knowledge and sensitivity to arrive at a reasoned and well- informed decision.

Stage 4 Ethical behavior

Ethical behavior means acting on principles, not merely believing in them. Therefore, this stage aims to develop the professional accountant's responsibility not only to abstain from action that may harm others, but to actively pursue the right course of action.

Full explanation of the EEF is provided in this Chapter. It is also explained in a proposed *International Education Guideline*. The research team has reviewed and developed a range of resources including a Toolkit that will be made available for use by instructors. A range of materials, literature and web-based resources are also included in this report and associated appendices.

Chapter 7

Chapter 7 provides an aid to member bodies with advice on institutional strategies and plans for implementation of IES 4. Chapter 7 meets the requirements of deliverable 4. Suggestions are offered to put into place institutional strategies to implement ethics education and this needs to be done at three different levels, namely by IFAC, the member institutions and the educational providers.

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As the analysis in Chapter 7 indicates, the main drivers of an implementation strategy for ethics education for accountants are likely to be IFAC itself and its member bodies. Due to various constraints, the drive for the implementation of ethics education in accounting programs is not likely to come from the education providers unless it is prescribed in some form such as through accreditation processes. Assuming there is strong support for IFAC's position on ethics education and that member bodies regard the Statement of Member Obligation (SOM 2) on *International Education Standards for Professional Accountants and other EDCOM (Education Committee) Guidance* as important, then the key players in any implementation strategy will be the member bodies themselves as discussed in Chapter 7. It is an opportunity that enables member bodies to ensure that the profession continues along the path of rebuilding public trust.

Chapter 8

Chapter 8 summarizes the resources and databases which are of relevant interest to member bodies, practitioners, academics and education providers. Chapter 8 is deliverable 6. In this chapter, the important issue of resources is addressed. If IFAC members and instructors worldwide are to take up the challenge of implementing ethics education as part of the educational process for qualification of accountants and ongoing professional development, then provision of resources is a key issue.

From the literature, a number of resources are identified which demonstrate that ethics can be taught. In particular, a recent edition of *Issues in Accounting Education* provides a range of valuable resources illustrating this point. The American Accounting Association has also identified a range of resources and the means to access these are provided.

Sample programs are also listed, including one currently being taught by an educational provider. As mentioned previously, a Tool Kit to assist instructors has been developed by the project team and a selection of useful websites is listed in Appendix 8. In developing programs for learners in different countries, instructors and IFAC member bodies will nevertheless have to use their professional discretion as to the resources most useful for their particular ethics program.

Finally, in the Appendices at the end of this report is a range of information and resources including:

- An Application of the Four Stages of the proposed IFAC Ethics Education Framework (EEF) and the nominated topics
- Survey 1 instrument
- Survey 2 instrument
- Focus group discussion questions
- Interview questions
- List of participants for Survey 1, interviews and focus groups
- Literature on the ethics coverage in the qualifying programs of some non-accounting disciplines
- Resources – relevant Ethics Websites
- Samples of Ethical Decision-making Models

Chapter 1: Project Overview

Introduction

This project was commissioned through a competitive tendering process by the International Federation of Accountants (IFAC) in 2004. Commenced in June 2004, the researchers completed the project in September 2005. The original project was extended to enable a more wide-ranging research project, including two online surveys together with interviews and focus group discussions in a number of locations throughout the world. This background chapter describes the aims and objectives of the project. The project objectives are presented, as appropriate, in accordance with the deliverables outlined in the approved proposal for the project.

Aims and Objectives

This project aims to inform the publication of an International Education Guideline for Professional Accountants (IEG) in respect of the development and maintenance of professional values, ethics and attitudes. The IEG will assist and support IFAC member bodies and academics to adopt a range of appropriate approaches to the development and maintenance of professional values, ethics and attitudes in accounting education programs for all professional accountants. In particular, the project investigates the practical means through which member bodies implement International Education Standard IES 4 *Professional Values, Ethics and Attitudes*.

The project output forms a part of:

- (a) a complete education program, including the required competence training and practical experience, to become a professional and ethically aware accountant; and
- (b) Continuing professional development (CPD) programs to maintain ethical competence as part of the life-long learning experience for an accounting career.

The specific objectives of this project are the deliverables set out below:

1. An inventory and analysis of different practices, methods and content of accounting ethics education;
2. A framework of ethics education and development models and good practice guides at pre-qualification and entry level;
3. A framework for continuing post-qualification development;
4. Advice on institutional strategies, choices and policies for implementation;
5. An analysis of applications to academic study, practical experience and assessments of professional competence to align with IES statements and IFAC's mission; and
6. A database of ethics support resources for both pre-qualification programs and post-qualification development.

This research report is the result of analyses from an extensive literature review, two online surveys of member bodies and other stakeholders in ethics education, interviews and focus group discussions with 113 individuals internationally. The research method is described in Chapter 2.

Research support and monitoring

The researchers have applied appropriate research methods to produce the final deliverables as outlined above. The research team, through the principal researcher, provided written progress reports to IFAC for review by the Project Oversight Team during the research period of 15 months. Progress reports were submitted in August 2004, December 2004, February 2005 and June 2005. In addition to each progress report, the principal researcher held teleconferences with IFAC representatives and, in particular, the Technical Manager and the Chair of the Education Committee. Through these regular discussions, the progress and approach of the research and any recommended changes were discussed and subsequently applied as appropriate. The Project Oversight team maintained a close watching brief on the project progress and provided constructive feedback as and when considered necessary.

The research has been carried out under the auspices of the IFAC Education Committee work program and is funded by IFAC, with additional funding by the Scottish Chartered Accountants Trust for Education (SCATE). In particular, the researchers also received significant support from The Certified General Accountants' Association of Canada (CGA Canada), The Institute of Chartered Accountants in Scotland (ICAS), The Association of Chartered Certified Accountants (ACCA), and CPA Australia. The conduct of the research has been approved by the Deakin University Ethics Committee.

Organization of the report

The scope of the project is governed by the agreed terms of reference described above and the ongoing dialogue and recommendations of the IFAC Project Oversight Team. Primary references of the project are based on the existing International Education Standards (IESs), in particular IES 4, and the IFAC Code of Ethics for Professional Accountants, which was revised in June 2005. The deliverables of the research include this research report, a proposed *International Education Guideline* (IEG 10), a CD Rom containing the Toolkit which supports the IEG and a range of other resources included in the chapters and the appendices. The research report is structured as follows:

- Chapter 1 discusses an overview of the project, with the details of its aims and objectives (deliverables).
- Chapter 2 introduces the relevant literature in a concise summary, highlighting the overall approach of the project. It also describes the research method, including the definitions, key concepts which governed the project design, and methods utilized for data collection and analyses.
- Chapter 3 discusses the first set of findings. The role of ethics education and related issues are discussed to set the scene and help readers to appreciate the background and need for ethics education. Following a review of the relevant literature, readers are provided with the perceptions of member bodies and other professional accountants with respect to ethics threats, and the role of ethics education. Chapter 3 satisfies the background analyses of all deliverables.
- Chapter 4 is a review and an analysis of the inventory of current practices, including the review of good practice research in relation to professional accounting at pre-, entry and post-qualifying levels. Chapter 4 provides the details of deliverables 1, 2 and 3.

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- Chapter 5 consolidates the detailed findings with relevant literature and reviews and discusses the frameworks of applications to academic study, including setting objectives, learning and assessment methods.
- Chapter 6 provides an overview of the researchers' observations and the recommendations for a composite flexible framework designed to help member bodies develop and maintain a program of education and development on professional values, ethics and attitudes in pre and post-qualifying programs. Chapter 6 satisfies deliverable 5.
- Chapter 7 provides an aid to member bodies with advice on institutional strategies and plans of implementation for IES 4. Chapter 7 meets the requirements of deliverable 4.
- Chapter 8 summarizes the resources and databases which are of relevant interest to member bodies, practitioners, academics and education providers. Chapter 8 is deliverable 6.

Chapter 2: A Summary of the Literature and Research Method

An extensive literature review has been undertaken for this project. Each part of the relevant literature will be discussed in detail in the analyses of the remaining chapters. A summary of the literature is provided in this chapter, so that readers can appreciate the research approach undertaken by the researchers.

A roadmap of the relevant literature

The accounting profession is undergoing a period of rapid change and significant challenges. In an attempt to address the many issues post Enron and Arthur Andersen, the profession has undertaken many initiatives and research projects to meet these challenges. In reviewing the overall role and issues of ethics education, we examine comparative studies of ethical sensitivity and moral development in accounting and business, and the increasing attention to ethics education, with a chronological analysis of developments over the past 50 years. Moreover, we examine the question of “what is ethics”, including a number of definitions and theories, and how ethics should be learned through education processes and workplace experience. Consideration is also given to the socialization–effect in business and the profession, which leads on to a discussion of the nature of accounting education and how best to create an environment for the development of ethical behavior.

With respect to the practices in ethics education, we provide comprehensive listings (Chapter 3) which show details of the research into trends in ethics coverage in business and accounting programs, with a conclusion which demonstrates that overall ethics coverage in accounting programs appears minimal. Despite this finding, there is some evident progress with the integration of ethics in accounting programs, illustrating that curriculum change is generally an evolutionary rather than revolutionary process. Overall, there is growing interest in professional and business programs responding to the call for greater ethics coverage in the curricula. It is noteworthy that since the collapse of Enron and Andersen, there has been a surge of interest and discussions about ethics education in accounting. For example, a special edition on ethics education was published in February 2004 in *Issues in Accounting Education*, by the American Accounting Association (AAA). The researchers also looked at some of the rationale offered by education providers for not offering ethics courses, including statements such as ‘other courses covered it’; ‘staff shortages’; ‘no qualified staff’; ‘funding limitations’; ‘cannot fit units in’; and ‘lack of staff interest’. However, it is believed that most business programs do not give high priority or urgency to the teaching and learning of business ethics, due to the technical focus of accounting education and the lack of apparent academic legitimacy of ethics in accounting.

As a basis of the analysis of applications to academic study (which is discussed in Chapter 5), the project team also carried out a review of research into good practice. The analysis includes studies concerning the appropriate goals of ethics education, such as developing individual ethical sensitivity, shaping of one’s values, developing conflict resolution and humanizing accounting education. In order to establish a well researched framework, ethics interventions, whether by separate required or optional studies, or through integration in existing programs or subjects, are considered. It is noted that studies into the effects of ethics interventions in accounting education have shown mixed results (Table 5.1 in Chapter 5). It has also been observed that continuing education programs at post-qualification level play an important role in shaping ethical reasoning abilities of accountants.

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There are other application issues which are of concern to institutions and member bodies regarding the implementation of a requirement of ethics education in the pre-qualifying and post-qualifying programs. A key issue of implementing ethics education is who should teach ethics, whether such education should be in the form of a general ethics course or an applied ethics course, and how ethics education programs should be phased. Most accounting educators or providers of professional development programs do not have sufficient training or confidence to properly teach ethics. This view is shared by many practitioners, who are also unsure about their ability to provide instruction and guidance on ethical issues and concepts. There is a fear that ethics courses could lead to possible indoctrination and also the issue of dealing with ambiguity could confuse students, because many questions on morality may be unanswerable and this may promote a cynical attitude towards ethics education. The question of the availability of resources and incorporating ethics education into already overcrowded professional programs and degrees is also discussed.

The literature on learning and delivery methods is considered. A number of examples of different learning and delivery methods are provided, and two sample courses are examined. The approaches discussed are varied and include the use of ethical decision-making models, virtue ethics, co-operative learning and exposure to alternative ethical viewpoints. An inventory of support materials is also reviewed. Finally, to facilitate the understanding of the application of ethics education in a global setting, culture and ethics are discussed (Chapter 5). It is apparent that individuals from different cultures have distinct conceptions of what are ethical and unethical behaviors and this raises issues such as the principle of cultural relativism, a concept whereby there are no universally acceptable ethical standards. Rather, ethical standards change with locations and time in such a way that an individual's action is to follow the social norm at a certain time. A number of studies have been undertaken comparing moral reasoning levels and ethical sensitivities but there are still only a small number that have examined the influence of culture on ethical decision-making. Also, most studies are North American based and a number are related to the collectivist nature of eastern cultures such as Chinese culture, but research in Islamic countries is sparse.

In addition, the literature on ethics education in other disciplines is reviewed. For instance, in engineering, there has been a growing awareness of obligations to a range of stakeholders, but courses in ethics are often irregular and their integration into the engineering curricula is generally poor. In law, it has been observed that a number of ethical concerns have been raised by the public, including issues surrounding honesty, charging for services and the neglect of services for the poorer members of society. It is apparent that courses on professional responsibility are taught in most law programs, but it is often given lip service and most efforts to improve the teaching of ethics appear to have a marginal impact. In the nursing profession, the extent and type of ethics coverage in degree programs varies between institutions. A review of current practices derived from the literature review suggests that few schools offer ethics as a separate course but many do integrate ethics into the existing curricula. This section of the literature is provided in Appendix 8.

The above summary of the literature coverage provides a roadmap to underpin the approach adopted by the researchers in analyzing the required deliverables of each chapter. The literature is also relevant to the recommendations of the researchers regarding the approaches to the

development and maintenance of professional values and ethics in accounting education programs. Each aspect of the project in the following chapters is supported by the relevant literature, followed by discussions of the respective findings.

Overall research approach and principles

The project forms the basis for the publication of an International Education Guideline for Professional Accountants (IEG). This guideline will assist and support IFAC member bodies and academics to adopt a range of appropriate approaches, to develop professional values and ethics as part of the education and development programs for all professional accountants.

The project team recognizes the project's significance to IFAC's ongoing leadership role in professional development. The IFAC research study *Rebuilding Public Confidence in Financial Reporting* published in July 2003 complements the principle of maintaining the fundamental value of professional ethics and attitudes. In the Introduction section to International Education Standards (IESs), the Education Committee stresses the importance of new approaches to accounting education; a program of accounting education and practical experience needs to go beyond the traditional approach. 'Transfer of knowledge' is emphasized. Increased emphasis should also be placed on a set of professional knowledge, skills and values, broad enough to enable adaptation to constant change [para. 14-15].

The approach adopted by the team aims to facilitate an ongoing network of information and a support system, which not only provides the minimum standards to be used by IFAC member bodies, but will also continue to enhance the career-long development of professional values, ethics and attitudes.

The overall principles of our approach are as follows:

- The project is broadly-based, taking into consideration the diversity of cultures, legislation and professional environment of IFAC member bodies in their respective countries;
- There is a practical orientation. The project is geared towards addressing the concerns and professional environment of the IFAC member bodies, so that the output can be readily adopted.
- The project is based on a solid foundation of literature, research and implementation experience from the project team. The design of the project takes into consideration factors such as the reluctance about teaching ethics by accounting academics; the role and experience required of ethics educators; the extent of usage of ethical theories and philosophical underpinnings; the appreciation of professional ethical issues in an accounting environment; and an understanding of the curriculum development and design issues necessary for the effective implementation of an ethics course.
- An ongoing review and evaluation process has been adopted by the researchers, with regular dialogue and discussions held with IFAC Education Committee / representatives, to ensure that the quality and progress of the output were maintained according to IFAC timelines and expectations.

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The project utilizes input from the following:

- IFAC member bodies regarding their systems of education and development for professional values, ethics and attitudes;
- academics, researchers, corporate executives, professional accountants and representatives from accounting firms, regulators and international policy-makers, concerning professional values, ethics and attitudes for accountants; and
- experts and interest groups in ethics, ethics education and professional practice, from various backgrounds, to underpin the research and enrich its outcome.

In accordance with the IFAC Education Committee's strategic objectives of establishing good practice guides in pre- and post-qualification professional accountancy education and development, the project looks at systems for both pre-qualifying and post-qualification levels. Pre-qualification requirements focus on the education and development processes to equip an individual to become a professional accountant in accordance with IES 1 *Entry Requirements to a Program of Professional Accounting Education*. Post-qualification requirements provide the tools for qualified accountants to maintain their professional values, ethics and attitudes as a career-long development. Both levels comprise outputs for education and other development requirements such as elements to be embedded in practical experience for entry into, and working in, the profession.

The project surveys and interview questions were also designed with consideration of relevant literature and the existent IFAC pronouncements, including the Code of Ethics for Professional Accountants.

Definitions and governing concepts

The research is based on a number of governing parameters. The following definitions and concepts are relevant:

Definitions

The following definitions in accordance with the IESs are adopted for the project.

- **Education** refers to the learning processes that are systematic, structured and typically formal. Education programs include a form of development process referred to as training.
- **Development**, as a process, is the over-arching term for activities that enhance learning. Education is the process, while development is the outcome. [For the purpose of this project, education refers to a systematic and structured approach to learning, while development includes the education process, training and other activities that enhance learning. IFAC *Framework for International Education Statements* paragraphs 32 – 37, p. 11, 2003].
- **Professional values, ethics and attitudes** are the professional behavior and characteristics that identify professional accountants as members of a profession. They include the ethical principles of conduct generally associated with and considered essential in defining the distinctive characteristics of professional behavior. Taken together, professional values, ethics and attitudes include: a commitment to technical competence; ethical behavior (such as independence, objectivity, confidentiality and integrity); professional manner (such as

due care, timeliness, courteousness, respect, responsibility and reliability); pursuit of excellence (such as commitment to continuous improvement and life-long learning) and social responsibility (such as awareness and consideration of the public interest). Professional values, ethics and attitudes are taken together as an attribute and for the purpose of this research report, ethics education includes all aspects of educational and developmental activities which aim to enhance and maintain professional values, ethics and attitudes. The term 'ethics' is expressed as an over-arching term for values, ethics and attitudes in this report.

- **Entry Level:** means the level at which an individual seeks to begin a program of professional education leading to membership of an IFAC member body. For the purpose of this project, entry level refers to the stage at which an individual enters into a pre-qualifying period.
- **Pre-qualifying level:** means the period before qualification as an individual member of an IFAC member body.
- **Post-qualifying level:** means the period after qualification as an individual member of an IFAC member body

Basic theories and concepts

This project is about learning ethics and is underpinned by an extensive and ongoing review of literature and theories. The following concepts and theories are fundamental to the research approach taken.

Ethics Can Be Learned

Ethics consists of knowing what ought to be done and such knowledge can be learned (Socrates). However, despite the growing interest in ethics education, there seems to be a variety of attitudes ranging from total skepticism to an uncertainty regarding the effectiveness of ethics education. Although Milton Friedman's famous article "The social responsibility of business is to increase its profits" (1970) was frequently used to cast doubt on business ethics programs (Drucker, 1981), Friedman did however consider the role of law and the ethical custom in business decision-making (1970, p.13). Hoffman and Moore (1982) also pointed out that it is precisely the failure of 'normal' ethics to penetrate some areas of business that has given rise to ethical concerns in various business sectors, and hence the need for ethics education and training. The intense discussions about ethics education following the recent corporate and accounting crises, have also pointed out the significant importance of business schools undertaking the teaching of ethics to future accountants and leaders (PricewaterhouseCoopers, 2003; Waddock, 2005).

American psychologist James Rest carried out extensive research on moral development in the early 1980s. He found that the dramatic changes in young adults in terms of their basic problem-solving strategies in dealing with ethical issues are closely linked to the number of years of formal education. Deliberate educational attempts to influence awareness of moral problems and the reasoning or judgment process have contributed effectively to a person's moral perception and behavior (Rest, 1986). One of the crucial factors to develop and promote a person's moral awareness is education (Kohlberg, 1983). Other empirical evidence demonstrating the importance of ethics education include those in Ward et al (1993), Lane et al (1988), and Leung and Cooper (1995). Certified Public Accountants indicated that instruction in ethical concepts

and literacy was important and should be embodied in the accounting curriculum as well as at all educational levels, although they were uncertain as to the necessary qualification of the university faculty (academics) to provide this instruction. Moreover, it was highlighted that a single course in ethics may not influence individuals' ethical values. McDonald and Donleavy (1995) recommended a framework in terms of course structure, staff training, goals and means of providing an effective ethics education program.

Learning ethics to enhance moral development and judgment

Moral judgment is a kind of normative judgment. Normative judgments are beliefs that something is good or bad, right, or wrong, ought to be, or ought not to be. They express personal values and beliefs concerning a kind of conduct, or a response to a situation. Lawrence Kohlberg undertook an extensive study of moral development in the early 1960s and concluded that there is a sequence of six identifiable stages in the development of an individual's ability to deal with moral issues. Kohlberg (1969) grouped these stages of moral development into three levels; each containing two stages, the second one being the more advanced and organized form of the perspective in each level. The six stages (3 levels) are:

- Pre-conventional level with a primary motive of self-interest:
 - Stage 1 – Punishment and obedience orientation where the right act is done to avoid punishment;
 - Stage 2 – Instrument and relativity orientation where an individual, though aware of others, pursues an action only as an instrument to satisfy one's own needs or desires.
- Conventional level with a primary motive to sustain relationships in society:
 - Stage 3 – Interpersonal concordance orientation where individuals satisfy others' expectations;
 - Stage 4 – Law and order orientation where individuals uphold a social system as determined by law and the nation's defined systems of roles and obligations.
- Post-conventional level is autonomous and is principle based:
 - Stage 5 – Social contract orientation where individuals, holding a variety of views and opinions, emphasizes fair ways to reach a consensus by agreement, contract and due process. All values and norms are relative and all should be tolerated.
 - Stage 6 – Universal ethical principles orientation where the right action is defined in terms of some universally accepted principles because of logical comprehensiveness, the nature of universality and consistency. These ethical principles are not concrete as with the Ten Commandments, but are abstract universal principles dealing with justice, society's welfare, equality of human kinds and respect for others.

Kohlberg's theory is important because it assists in understanding how individuals develop their moral capabilities through 'internalization' of moral standards of a society. It also explains how one becomes increasingly sophisticated and critical in one's understanding of moral standards. Although Kohlberg's work was criticized by Carol Gilligan (1982) who looked at the moral development of women, Kohlberg's theory was the first to relate moral development with maturity in life and provides a generally accepted and credible theory of moral development. In

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terms of Kohlberg's sequential theory of moral development, the study of ethics enables the individual to acquire and advance the more critical understanding of right and wrong that characterizes higher levels. Hence a person's value judgments or normative judgments may be changed through development. By learning efforts such as the habits of thinking, evaluating and analyzing, an individual develops and determines a set of consensus moral standards or principles which can be applied consistently in societies. Education is seen to be a crucial factor to move one's moral awareness from one stage to the next. It is also argued that exposing accounting students to multiple factors affecting ethical decision-making will make students aware of several factors that impact ethical decision-making, and allow them an opportunity to discuss ethical issues with others who have different ethical orientations (Radtke, 2004).

From moral development to ethical behavior

IES 4 *Professional Values, Ethics and Attitudes* states that member bodies and educators should distinguish between teaching students about professional values, ethics and attitudes, and developing and instilling ethical behavior. Developing professional values needs to begin early in the education process and be re-emphasized as part of life-long learning. [para.9, IES 4]. Rest's (1983) four-component framework also postulates that ethical behavior is, and only is, the result of all four required components: moral sensitivity (awareness and interpretation); moral judgment (decision-making ability to discern right from wrong); moral motivation (prioritizing moral values); and moral character (courage, persistence and strength of character). Rest's model provides a basis for the overall development of professional values, ethics and attitudes. It is envisaged that the development of an ethical behavior requires moral sensitivity, moral judgment, moral motivation and moral character to be looked at cohesively.

The process of development in moral sensitivity and in decision-making ability to discern right from wrong begins at a pre-qualification stage; while the development of the ability to prioritize and enforce professional values and ethics is more likely to occur in a post-qualification stage. Although focus is placed on the development of sensitivity and judgment during the pre-qualification stage, such character traits have to be further enhanced and supported in the post-qualification stage when the individual wrestles with different motivations, and strengthens his/her character through experience and continuing education and development. Learning ethics and developing ethical values and attitudes is a life-long process, an ongoing exercise of acquiring knowledge, establishing appropriate principles in the contexts of changing environment, sharpening one's objectives and focuses, and reflecting on actions and reactions. Hence, the research team considers the continuing nature of one's learning to be from pre-qualifying level into a career-long process. A balanced approach is adopted in this project to ensure knowledge, sensitivity, judgment and behavior are taken into consideration to effect proper professional values, ethics and attitudes.

Striving for a common ground of ethics and values from different cultures

According to the theory of cultural relativism, the standards that guide behavior are those established by the host country. Cultural relativism is premised on the moral norms of the society in which the behavior takes place. In other words, any act inconsistent with host norms is considered wrong. A relativist relies on local norms for defining ethical standards and if norms differ from country to country, then ethical decisions will also differ. It is this lack of universality or consistency that draws its major criticism. Cultural relativism provides no guidance for

accepted behavior where there are divergent opinions within or across societies. In the case of multinational companies, or international accounting, there may be serious results in financially damaging conflicts.

Rest (1986) reviewed a number of studies investigating moral reasoning in various cultures and found that there were more similarities than differences between cultures. Whilst a review of the literature regarding the relationship of cultures and ethics is discussed in Chapter 5, accountants need to understand the trends of globalization and cultural diversity in order to cope effectively with the pressures of the global market. Ethics education therefore must enable accounting professionals to be culturally sensitive when applying a generally accepted ethical foundation for accountants.

The fundamental principles underpinning professional values, ethics and attitudes may potentially be threatened

In accordance with the IFAC *Code of Ethics for Professional Accountants* (June 2005), compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, may potentially be threatened by a broad range of circumstances. The ethics threats fall into different categories including: self-interest threats; self-review threats; advocacy threats; familiarity threats; and intimidation threats. These categories have been used for the purpose of identifying ethical issues and failures in the surveys to member bodies and other stakeholders in this study.

Research Methods

IFAC, in commissioning the research, has identified a number of deliverables which form the basis of the research output. These deliverables, which have been listed in Chapter 1 of the report, form the underlying rationale of the research methods used.

IES 4 *Professional Values, Ethics and Attitudes* recognizes the different environments, different cultures and regulatory requirements [para. 3] of IFAC's 160 member bodies (in 118 countries). To assist adoption by member bodies, this project considers the fundamental professional values and ethics in IES 4, as applicable to a worldwide audience. The approach contains a number of methods, so that member bodies may adopt a particular method(s) of implementation as appropriate, while satisfying a minimum standard in accordance with IES 4.

The output of this research project is informed by the results and analyses of the following research methods.

- Resource development:

The researchers have carried out a wide ranging literature search and discussions and debates on ethics education to evaluate the body of knowledge, the topics and contextual issues, the delivery, and appropriate learning aids, in order to derive an appropriate range of ethics resources for IFAC member bodies.

- Identifying existing ethics education policies of IFAC member bodies:

An online survey (survey 1) of all IFAC member bodies was undertaken to identify, assess and analyze existing ethics education elements within current pre-qualification programs, which include educational and other developmental activities. The researchers examined

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the objectives embodied in these programs and the structures/formats of such programs (distance, face-to-face learning, examination or practical orientation, supervised, etc.).

- Identifying issues relating to ethics education

A second international online survey (survey 2) of users and providers of accounting education, and in particular ethics education, was also conducted. The population includes academics and ethics experts and users such as accountants, business executives and regulators. The survey investigated the features and issues related to existing ethics education, and the perceptions of ethics education in general. This online survey was administered to a sample of the population described above, using representative data banks.

Both surveys examined pre-qualification and post-qualification programs and courses that involve ethics, identified the issues related to these courses, and the perceptions of users in respect of their effectiveness. Opinions from experienced individuals from academe, industry and the profession have been gathered and analyzed. The primary analyses of both surveys were quantitative. The quantitative data collected from both surveys are analyzed using the IFAC geographical regional classification of Americas, Asia Pacific, Middle East and Sub-Saharan Africa (MAS) and Europe.

- Semi-structured interviews and focus groups discussions with stakeholders.

It was also considered beneficial to undertake face-to-face interviews with personnel involved in ethics education, managers, representatives from member bodies and corporate executives. These interviews enrich the thinking developed from the results of the surveys and identify further issues regarding the implementation of ethics educational initiatives which are not readily disclosed from the surveys. The researchers recognize the practicality of the wide spread membership of IFAC and developed plans for focus group discussions held with stakeholders in regions such as Asia, Europe and in the Indian sub-continent. The researchers broadened the original plan of conducting 20 interviews by actively seeking opportunities and making arrangements in order to conduct world-wide focus group meetings. In addition to focus groups, the researchers carried out face-to-face interviews and telephone interviews, especially with personnel whom the researchers consider appropriate due to regional representation, professional body affiliation or expertise. The interviews and focus groups discussions form the foundation for the qualitative analyses of the project.

In addition to the IFAC funding, extra financial support was successfully sourced from some member bodies to help fund the qualitative data collection through focus groups and interviews.

Quantitative Methods – objectives, data sources and analyses

Two surveys were conducted. The survey sent to member bodies (survey 1) and to other individuals and stakeholders (survey 2) were analyzed using quantitative methods. The objectives, data sources and analytical methods of each survey are as follows:

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Survey 1: Member bodies

Survey 1 aimed to identify the current practices and beliefs of member bodies in respect of ethics education and development programs at pre- and post-qualifying levels. Moreover, it solicited member bodies' concerns and perceptions about ethics education in general, and the implementation of IES 4 in particular. Survey 1 also attempted to ascertain member bodies' perceptions regarding the significant ethical issues which are important in the development of ethics education programs.

The following sections are included in Survey 1:

- The names of the member bodies and the position of the person completing the survey;
- ethics in pre-qualifying programs which elicits the member body's policies, education and experience requirements, and details of the ethics elements;
- ethics in post-qualification programs to ascertain Continuing Professional Development (CPD) policies for ethics development;
- member bodies' perceptions of ethics education, including the role of professional bodies, objectives, issues, and appropriate assessments for ethics education. Additional questions were asked in respect of ethical issues which were perceived to be significant in terms of occurrence and the ethical development of professional accountants; and
- member bodies were also asked to write comments regarding their plans for the implementation of IES 4 and any perceived issues.

The sources of data for Survey 1 were all member bodies of IFAC at the time of the commencement of the project. One hundred and sixty (160) member bodies were sent a request letter with a detailed description of the objectives of the survey and the instructions to access the online survey forms. The survey was opened online from November 2004 till the end of January 2005. Four further requests were sent to non-respondents to maximize the response level. A number of member bodies that had difficulty accessing the online surveys were sent a Word document version of the survey, with the opportunity to return the document via email. Postal surveys were also sent to five countries where it was impracticable to receive and send emails.

At the survey cut-off date, 66 member bodies had responded to the survey, representing approximately 42% of the population. The results have been analyzed using the Statistical Package for Social Sciences (SPSS) and relevant key findings are reported in the remaining chapters as part of the quantitative results.

Survey 2: Other relevant personnel with respect to ethics education

The results of survey 1 were also used to inform the construct of Survey 2 which solicited views from a wider group of interested persons regarding ethics education. The aim of Survey 2 was to obtain a broad range of viewpoints regarding ethics education in order to inform the research in the development of a flexible framework of ethics education programs. The topics included in Survey 2 were:

- objectives and content for pre- and post-qualifying programs;
- delivery methods of ethics education;

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- general perceptions of ethics education, including assessment methods; and
- occurrence of ethical issues and topics for CPD.

Survey 2 was sent to individuals listed in three databases representing: (1) Professional and industry personnel; (2) academics and ethics experts; and (3) those from the profession and regulatory regimes that were not part of Survey 1. A similar approach to Survey 1 was adopted – prospective respondents were sent an invitation letter and access instructions via emails. The survey was open from April to June, 2005. Table 2.1 provides the details of the geographic representation and designation of individuals derived from the databases used for Survey 2.

Table 2.1 Survey 2 Sources of Data

Geographic region	Academics/ethics experts	Practitioners/industry	Total
Americas	174	246	420
Asia Pacific	153	50	203
MAS	55	10	65
Europe	39	35	74
Total	421	341	762

The geographic region classification as defined by IFAC includes ‘Americas,’ ‘Asia Pacific,’ ‘MAS’ (see above) which is Middle East and Sub-Saharan Africa, and ‘Europe.’

Notes:

- (1) In addition to the above, a CFO database from an expanded version of *Fortune 1000* with individuals’ names and email addresses was purchased and these 713 individuals were also sent survey 2 in order to gain a better response rate.
- (2) The project team only wanted to send out surveys to individual email addresses rather than email addresses where individual identities are not known. This criterion made the task of developing a database more difficult.
- (3) All databases were used to send out Survey 2 during the period of 5 -23 May, 2005.
- (4) When emails were rejected the name of the individual was deleted from the database.

At the time of the survey cut-off, a sample of 92 responses had been received. Though Survey 2 aimed to elicit a wide range of viewpoints regarding ethics education, it does not purport to be representative of world views. However, the researchers regard it as reasonable to accept the sample of 92 as a valid indication of the views on ethics education for the purpose of the project.

Characteristics of respondents to Survey 1 and Survey 2

The researchers are satisfied that the response rate of 41% (66 of 160) in Survey 1 provides a good representation of the current practices of IFAC member bodies. Further analysis also shows that 39% of the respondents held chief functional positions (28.8+4.5+6.1% below) while about 23% held the position of Chief Education officers.

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Table 2.2 Distribution of member body respondents by title in Survey 1

Title	Frequency	Percent
Chief Executive Officer	19	28.8
Chief Operating Officer	3	4.5
Chief Technical Officer	4	6.1
Chief Education Personnel	15	22.7
Other	20	30.3
Not specified	5	7.6
Total	66	100.0

The response rates based on geographic region are shown on Table 2.3.

Table 2.3 Distribution of member body responses by geographic region – Survey 1

Geographic Region	No. surveyed	No. of responses	Response Rate (%)
Americas	33	7	21
Asia/Pacific	27	15	56
MAS	39	12	31
Europe	61	32	52
Total	160	66	41

To demonstrate the representativeness of the survey responses, the researchers have also examined the distribution of the respondents based on an updated and adapted version of Hofstede’s (1980 and 2001) and Gray’s (1988) cultural classification. Although there are limitations concerning the way regions were classified, nevertheless this commonly used classification shows that the responses are generally indicative of major cultural regions as shown below. Based on Table 2.4, which is compiled for the purpose of assuring coverage, the researchers are satisfied that the responses of survey 1 reasonably represent the spread of the cultural regions.

Table 2.4 Distribution of member body responses by cultural area in survey 1

Cultural Area	No. surveyed	No. of responses	Response Rate (%)
More Developed Latin	11	5	45
Less Developed Latin	24	1	4
African	18	4	22
More Developed/Colonial/Asian	3	2	67
Less Developed Asian	21	10	48
Near Eastern	39	17	44
Germanic/Nordic	22	9	41
Anglo	22	18	82
Total	160	66	41

Survey 1 is indicative of IFAC member bodies at a 41% response rate, but Survey 2 respondents were more diverse. The sample response for Survey 2 is 92, with 33% being accounting educators and another 21.5% accounting educators with a special interest in ethics research. Accountants in public practice made up 16% and CFOs and CEOs amounted to 13% of the Survey 2 respondents. The remaining respondents were either from an ethics or humanitarian organizations or not-for-profit sectors. The majority (72%) were male and over 94% were aged 31 or above (31-45, 29%; 46- 55, 32%; and above 55, 33%) It can be appreciated therefore, that views about ethics education from Survey 2 were largely from those more senior and more experienced in the field and also predominately male.

The 66 responses from Survey 1 (n=66) and 92 responses from Survey 2 (n=92) are reported together whenever appropriate, especially where there are common themes. The quantitative findings of this research report, however, are descriptive statistics only. Detailed standard deviations and significant differences are not provided in this report owing to the substantial amount of detail already being reported. Subsequent to the release of the report, the research results will be further disseminated in research journal articles where more sophisticated statistical techniques will be employed.

Qualitative Methods – objectives, data sources and analyses

Qualitative data were collected from semi-structured interviews and focus groups conducted through the period June 2004 until August 2005.

Objectives of the qualitative study

An aim of this project is to develop a flexible framework for the implementation of ethics education and development programs by IFAC member bodies, with supporting resources and guidelines. As part of the process of achieving the project's objectives, the project research team conducted interviews and focus groups with IFAC member body representatives, relevant experts in the field of ethics and professional accountants. The aims of conducting interviews and focus groups were to:

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- identify perceptions of the role of ethics education as part of the preparation and ongoing education of professional accountants;
- identify contextual factors and constraints in teaching ethics; and
- determine future directions in implementing ethics education in accounting.

It was considered appropriate to undertake face-to-face interviews with personnel involved in ethics education, managers, representatives from member bodies, corporate executives and professional accountants. In addition to academics and education providers, to ensure comprehensiveness and diversity of views were incorporated in the project. As IFAC has 160 member bodies from 118 countries, the researchers acknowledge the diversity of the membership spread and the need for the project to consider the fundamental professional values and ethics in IES 4 as applicable to a worldwide audience. Although the initial proposal allowed for 20 interviews, the research team, in consultation with the IFAC Taskforce, included additional focus group discussions in the research plan. Focus group discussions are an invaluable means of widening the degree of inclusion and representation from regional areas. More generally, the focus groups provided an efficient way of collecting qualitative data in terms of time and cost benefit, particularly as a number of professional categories were able to be more readily represented in regional focus groups.

In addition to providing background about existing ethics education, contextual factors and constraints on ethics education development, the interviews and focus groups introduced an additional level of enrichment over and above the quantitative data. In particular, this qualitative data enabled the identification of further matters regarding the implementation of ethics educational initiatives, which were not readily disclosed from the two surveys.

Qualitative Data Collection

The interviewees were selected based on their academic or professional recognition in the area of ethics education and an attempt was made to obtain a global spread of interviewees. The participants for the focus groups representing industry or academic viewpoints were selected with assistance from the staff of member bodies and further refined based on the willingness of those asked to participate. There was also an attempt to use participants from various parts of the world to the extent that it was practicable to arrange. The participants were categorized by the type of professional service they provided: practitioner or industry, academics or participants with expertise in ethics and professional body or regulator representation. Table 2.5 shows the coverage of the data collection for interviews and focus groups based on type of professional background of the participants.

Table 2.5 Qualitative data collection by type of professional service

Professional Services	Focus group participants	Interviews	Total
Practitioners/industry(note)	34	6	40
Academics/ethics experts	29	7	36
Professional bodies/regulators	26	11	37
Total no. of participants	89	24	113

Note: (1) The Practitioner/industry category includes 14 representatives from large international accounting firms, 8 participants from medium sized accounting firms, 9 from large corporations and 9 others (including management consultants).

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The data were also analyzed by geographic region using the four categories nominated by IFAC, i.e., Americas, Asia Pacific, Middle East and Sub-Saharan Africa, and Europe. Table 2.6 provides details of the participants based on geographic region.

Table 2.6 Number of participants by geographical region

Geographical region	Focus group participants	Interviews	Total
Americas	1	3	4
Asia Pacific	60	17	77
MAS	6	2	8
Europe	22	2	24
Total no. of participants	89	24	113

Table 2.6 demonstrates that focus groups and interviews provided representation from each of these four geographical regions. However, both the Americas and the Middle Eastern and African regions were not as well represented as the regions of Asia Pacific and Europe and this is related to the logistics involved, particularly in respect of the focus groups.

Cultural diversity is often regarded as an important element in explaining differences in the adoption of ethics education across various discipline areas. Therefore, in order to capture possible cultural differences in approaches to ethics education, interviews and focus groups were conducted with a range of representatives from diverse cultures to the extent practicable as noted above. The cultural area classification was based on an adapted version of cultural areas identified by Hofstede (1980 and 2001) and Gray (1988). The classification by Hofstede is based on the world's different cultural backgrounds and has been widely used by accounting academics and researchers. Table 2.7 shows the distribution of participants in focus groups and interviews via cultural region.

Table 2.7 Number of participants by cultural area

Cultural area	Focus group participants	Interviews	Total
Latin	1	1	2
African	0	1	1
More developed /colonial Asian	18	3	21
Less developed Asian	31	9	40
Near Eastern	1	0	1
Germanic/Nordic	1	0	1
Anglo	37	10	47
Total no. of participants	89	24	113

Framework for qualitative analysis

The interviews and focus groups were conducted using a semi-structured format, relying on primary questions of inquiry supported with a series of prompts to initiate discussion. This allowed a degree of flexibility for the interviewer and interviewee to expand on specific issues

relevant to the expertise of the interviewee. The research team designed the series of questions that related to three main areas of inquiry: the role of ethics education; teaching and learning issues; and future directions of ethics education in accounting. Within each of these three main categories of investigation, there were various types and levels of response anticipated. Appendix 4 provides an example of a pro forma for focus group interviews, including a set of probes to explore themes more fully and minimize the potential for interviewer bias.

Qualitative data provides rich descriptions and explanations, yet relies on interpretations and classifications imposed by the researcher (Lillis, 1999). In conducting the qualitative data analysis, an analytical protocol was established to support an audit trail from the interview data to the main themes explored in the research project. Figure 2.1 provides an overview of the framework used to analyze the interview and focus group data. The three main themes, namely, role of ethics education, teaching and learning issues and future directions, were supported by sub categories derived from specified questions in the interviews and from themes that emerged from the analysis.

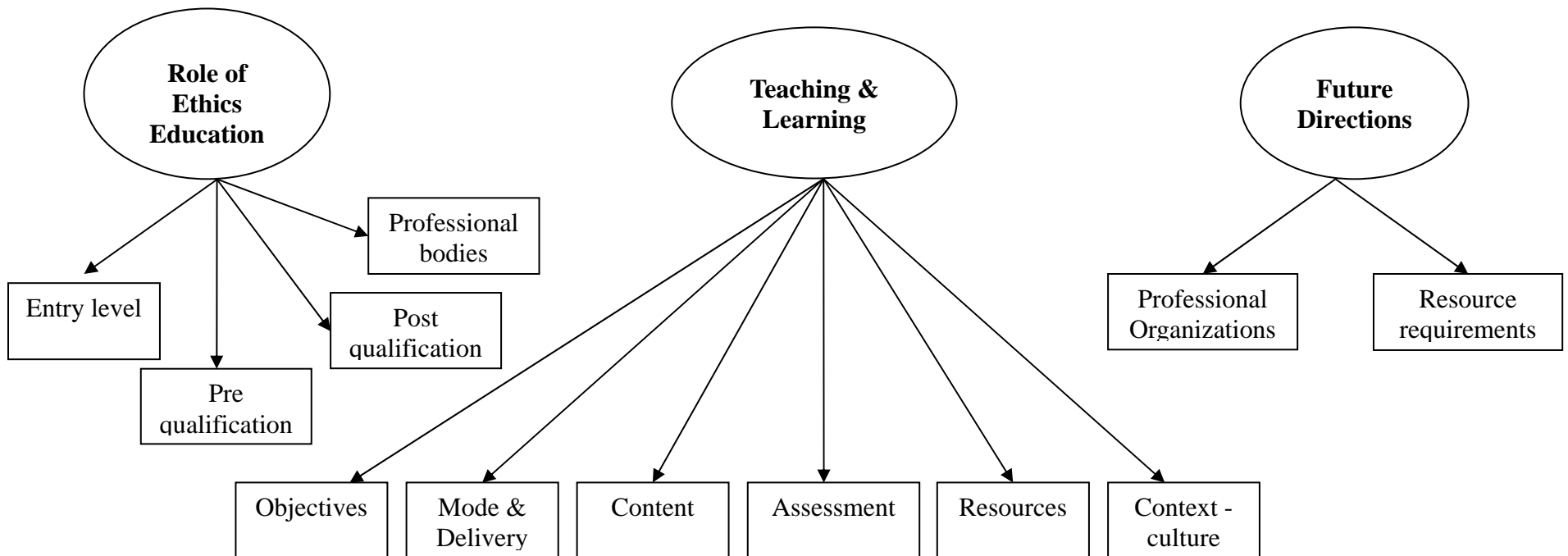
All interviews and focus group sessions were recorded on audio tape and transcribed verbatim, having first met the requirements set by the Deakin University Ethics Committee for the conduct of interviews and focus groups. Each transcript was coded using the qualitative analysis package NVivo. The NVivo package is a code-and-retrieve index system. The *nodes* of the index system are organized in hierarchies or *trees*, to represent the organization of concepts into categories and subcategories (Richards and Richards, 1994). In this project, the three main themes represent the *trees* in the hierarchy, while the subcategories stemming from each theme represent the *nodes* as shown by the hierarchical structure of Figure 2.1.

Interview and focus group discussions were coded by associating the sentences with one or more of the nodes identified in Figure 2.1 as a form of initial content analysis. Interview responses were coded using “thick descriptions” of responses from interview transcripts. This process enabled more information to be displayed and retained meaningful data. Each description was given a text-unit number in NVivo, which established an audit trail back to the transcripts when the summary description was examined out of original context.

An additional form of analysis of the transcript data was achieved by assigning attributes to the 24 interview transcripts and to the 89 participants in focus group meetings. The attributes related to each participant were based on their types of professional services and the respective geographical regions. Assigning attributes enables a more detailed analysis of responses based on type of professional service offered by the respondent, together with their cultural or geographic region.

As a form of triangulation, two members of the research team independently coded a sample of transcripts into the various categories shown in Figure 2.1. This approach to data coding followed guidelines of Miles and Huberman (1994) for testing and confirming qualitative data findings. The verification of coding by the two researchers was matched in approximately 85 per cent of cases. This level of inter-judge reliability is at an acceptable level according to Säljö (1988).

Figure 2.1
Overview of Qualitative Analysis



Chapter 3: Ethics Education – Role and Issues

The accounting profession has undergone considerable change with a diversity of services on offer, from preparing and auditing financial information to consultancy, marketing services, executive search, systems design, valuation services and strategic and tax planning (Zabihollah, 2004). Globalization and diversification of accounting services, together with market competition, have had a number of implications for the accounting profession and its perceived ethics. Professionalism, ethics, independence and objectivity have been brought under the scrutiny of the public in the wake of corporate failures (Giacomino, 1992; Ponemon, 1995; Ashkanasy and Windsor, 1997; Waddock, 2002; Shamoo and Resnik, 2003; Earley and Kelly, 2004; Waddock, 2005). Yet, technical incompetence has rarely been cited as the issue (Waddock, 2002; Shamoo and Resnik, 2003; Brooks, 2004). The profession must make sure that the value systems of accounting professionals are strong enough to withstand client and economic pressures that may compromise professional judgment (Douglas et al., 1995). To set the scene, this Chapter looks at the issues of ethics in accounting. In particular, the Chapter reviews the literature for ethics and ethics education in accounting, followed by the findings revealed by the project. The findings discussed in this Chapter relate to the perceptions of the respondents regarding accounting ethical issues and the role and issues of ethics education in accounting.

Literature review

The relevant literature regarding the significance of ethics and ethics education is discussed under three headings: the challenges of the profession, the limitations of accounting education and the calls for increasing ethics education.

The challenges of the profession

Few financial scandals are the result of methodological errors; rather, they occur from errors in judgment (Brooks, 2004). Questionable judgments sometimes arise because of the complexity of the problem; others are due to the lack of attention given to the ethical values of honesty, integrity, objectivity, due care, confidentiality, and the commitment to the public interest before one's own. Irrespective of the cause of such problems, the result has been an apparent breakdown in society's belief that the actions of some accountants are in the public interest. The frequency of accounting abuses has served as prima facie evidence that greater emphasis on accounting ethics is needed (Armstrong et al, 2003). As Lovell (1995) has proclaimed, at the heart of the criticisms leveled at the accounting profession is the moral base of the profession. Ethical misconduct may be real or apparent; nevertheless, professional and educational institutions have responded by calling for more ethics education in the accounting curriculum. In 'Educating for the Public Trust', PricewaterhouseCoopers (2003, p. 1), observes that "... at this critical juncture, we choose to focus on accounting education because of the important role it plays in rebuilding public trust".

A profession is an exclusive occupational group possessing a specialized skill, based on esoteric knowledge (Abbott, 1983). A profession is given sanction by society to practice and the responsibility to self-regulate as such members of a profession are expected to act in the best interests of the public (Mautz, 1988; Greenwood, 1957). Thus, the profession exists and survives on the basis that it is seen to provide a public service that benefits society. If society perceives that there is no public benefit in the service performed by a profession, the public will withdraw

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its trust and confidence, which in turn will threaten the profession's very existence. The newly formed Public Company Accounting Oversight Board (PCAOB) in the United States under the Sarbanes Oxley Act (2002) is one consequence of a profession undergoing a system of co-regulation instead of self-regulation. However, according to Smith (2003, p.47), new laws ".....will not restore confidence in capital markets confidence will only be restored by ethical leadership from the accounting profession, business community, and government.". Smith (2003) refers to a speech by AICPA President Barry Melanchon¹ who states that "the accounting profession must restore its priceless asset: its reputation".

The duty to serve society and the public is known as the 'public interest', broadly referred as the collective well-being of the community of people and institutions the professional accountant serves, including clients, lenders, governments, employers, employees, investors, the business and financial community and others who rely on the work of professional accountants" (Exposure Draft paragraph 1.7, *Code of Ethics for Professional Accountants*, IFAC). According to the IFAC Code (June 2005), a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. However, the profession has been criticized for seeking to protect its self-interest rather than the interests of third parties (Lee, 1995). As observed by Parker (1994), the public interest is readily declared, but the private interest remains submerged yet powerful. Such conflict between the public interest and self interest is under scrutiny, with highly publicized corporate collapses and alleged accounting failures. Consequently, the accounting profession has been taken to task for a variety of ethical issues, ranging from a lack of independence by public accountants on audit engagements, engaging in creative accounting, tax fraud and evasion, and conflicts of interest, to a failure of the duty of care towards shareholders and the public. The collapse of large corporations has serious financial implications to investors, employees and the public (Elias, 2004), giving rise to a credibility crisis (Earley and Kelly, 2004).

Limitations of accounting education to develop ethical sensitivity

As the watchdog of appropriate and financially sound behavior within the business community, practicing accountants are expected to employ high ethical standards in their professional practice and conduct. Consequently, a number of studies have assessed the ethical attitudes of accountants and accounting students. Empirical evidence indicates that the ethical sensitivity of accounting and business students do not compare favorably to groups with comparative educational backgrounds. The following studies outline the results of research examining the ethical sensitivity of accounting and business students and practitioners.

Studies assessing the level of ethics of business and accounting students include:

- Business students are more competitive and a more willing to 'step on people' in order to achieve success (Lane and Schaupp, 1989; Lane, 1996).
- Business students are more tolerant of questionable practices with the level of tolerance increasing from junior to senior years (Merritt, 1991).
- Non-accounting students display higher levels of ethical maturity than accounting students and accounting education stymies ethical development (McPhail and Gray, 1996).

¹ The speech was delivered by Barry Melanchon at the Yale Club in New York City on 4 September 2002.

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- Accounting students would willingly accept a bribe from the Board in return for his/her silence on the Board's questionable activities (Haswell and Jubb, 1995).
- Accounting students were unethical when pursuing a personal advantage (Cree and Baring, 1991).
- The majority of business students indicate that they cheated in either high school or college exams (Bernardi et al., 2004).
- The educational interventions regarding ethical issues can be effective in improving students' context-specific moral reasoning from the beginning to the end of a semester while no corresponding increase was found in the students' general moral reasoning ability (Earley and Kelly, 2004)

Comparative studies include:

- Accounting students are significantly more tolerant of cheating than either their future employers or their teachers (Lord and Melvin, 1997).
- There is no difference in the level of ethical perceptions of accounting and 'other' business students (Giacomino, 1992).
- Business students were no more ethical and sometimes less ethical than business executives (Wynd and Mager, 1989).
- Accounting students were more willing to engage in questionable activity (padding expense accounts, pressure from brokerage firms to recommend inferior investment products, price fixing within contract bids, inappropriate Christmas gifts to purchasing agents, and illegal copying of computer software) than were their business counterparts (Wood et al., 1988).
- Accounting students perceive issues more ethically than 'other' business students when exposed to the code of conduct (Fulmer and Cargile, 1987).
- CPAs are able to distinguish ethical from unethical behaviours, although the determination of ethical behaviour appeared to be on a case-specific basis rather than a set of universal ethical rules (Ward et al., 1993).
- Older CPAs and male CPAs commit a greater number of code violations (Thomas and Seaman, 1996).
- Accountants had not attained the moral maturation level of the adult population and the level is much less than that of college graduates generally (Armstrong, 1987).
- Senior accountants, although they encountered ethical issues more often, have perceptions of the significance of ethical issues that were lower than less senior accountants (Leung and Cooper, 2005).

The most widely known work in the area of moral reasoning is that of Lawrence Kohlberg (1969), who developed the theory of cognitive moral reasoning and development (CMD) which has been discussed in Chapter 2. Kohlberg's theory is concerned with how judgments are made and why one formulated the judgment (Kohlberg, 1969). The objective of moral development theory is to understand the cognitive reasoning processes an individual follows in resolving an ethical dilemma. The most important contribution of Kohlberg's theory is the attempt to measure moral judgment development. Kohlberg's theory of cognitive moral reasoning and development

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has proved to be the most popular and tested theory of moral reasoning and development, and it is among the most cited works in cotemporary behavioral science (Rutledge and Karim, 1999).

A number of studies have examined and compared the moral judgment levels of various groups, including the accounting profession. According to Gaa (1995), the moral reasoning of accountants differs in a number of ways from both the general population and from other occupational groups. Generally, the degree of moral development of accountants resembles the general population more than it does groups with comparable educational and occupational status. Similar conclusions are drawn from sample populations of accounting students (Armstrong, 1987; St. Pierre et al., 1990; Lampe and Finn, 1992; Ponemon, 1993a; Shaub, 1994). On the other hand, studies have also reported little difference in students of various disciplines (Giacomino, 1992; Icerman et al., 1991; Jeffrey, 1993). In measuring the moral reasoning levels of auditors, researchers have discovered a number of associations. For example:

- As the auditors' level of moral reasoning increases, so does the assessment of audit risk and prediction regarding the detection of a material accounting error (Ponemon, 1993b).
- Auditors with higher levels of moral reasoning were more sensitive to client integrity and competence in the detection of fraud (Bernardi, 1994).
- Auditors with higher levels of moral development rely more on judgment, and less on technical standards for problem resolution (Ponemon and Gabhart, 1990; Sweeney and Roberts, 1997).
- Auditors with high moral reasoning are more resistant to client pressure and auditors with lower levels of moral reasoning responded to economic variables and self-interest (Windsor and Ashkanasy, 1995; and Ashkanasy and Windsor, 1997).
- Auditors with comparatively low levels of moral development were shown to under-report chargeable hours more often than auditors with high test scores (Ponemon, 1992b).
- Internal auditors with low levels of moral development are more sensitive to penalties, such as job termination, and were less likely to blow the whistle (Ponemon, 1991).
- Accounting students with higher levels of moral reasoning show greater concern and sensitivity to environmental accounting education (Kite and Radtke, 1997).
- Female accounting students consistently score higher on moral judgment (and ethical sensitivity) tests than their male counterparts (Shaub, 1994; Thorne, 1999; Abdolmohammadi et al. 1997; Lampe and Finne, 1992; Roxas and Stoneback, 2004).
- No significant differences in moral reasoning were detected in UK resident Muslim students from Bahrain, Bangladesh, Egypt, Ethiopia, Iran, Iraq, Jordan, Kuwait, Libya, Malaysia, Morocco, Nigeria, Saudi Arabia, Senegal, Sudan, Syria, Turkey, and United Arab Emirates, ranging in education levels from high school to PhD (Bouhmana, 2001).

Despite the evidence that ethical attitudes of business students appeared to have improved over time, the above discussion suggests that the effect of improved sensitivity and awareness of ethical behavior is yet to materialize (Emerson and Conroy, 2004). If professionals are ethically sensitive to issues they face, then it is more likely that a more responsible and moral schemata will be used in resolving the problem, rather than a heuristic approach such as profit maximization (Hooks and Tyson, 1995). Therefore, a decision-maker must recognize the ethical

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component in a dilemma before an ethical decision can be made (Armstrong et al., 2003; Jones 1991). The problem for professionals in business is that ethical issues are often hidden (Bebeau et al., 1985) and professionals are not normally trained to be ethically sensitized. As Armstrong (1987) infers that existing accounting education may not foster continued moral growth, it is therefore argued that a longer term approach to ethics education, underpinned by institutional support to foster a life-long learning attitude, is important. In considering the collapse of Arthur Andersen and Enron and the numerous financial restatements, Waddock (2005) asked some pointed questions about the training and education of companies' top financial executives. He concluded that until business schools teach future accountants and leaders how deep the connections are between business, society, nature, and the world, corporations will continue to be run by leaders he believed were hollow and who have no sense of ethics or responsibility. He further observed that accounting for performance is likely to remain too narrowly focused to be helpful in today's demanding environment. The following section looks at the calls for increasing ethics education to address the shortcomings of accounting education.

Calls for increasing ethics education

Past efforts to address the ethics of accountants have focused on legal sanctions, disciplinary proceedings of the professional accounting bodies or court actions. The accounting profession maintains and enforces high ethical standards with issuing and enforcing codes of ethics (Shaub et al., 1993; Roxas and Stoneback, 2004). A code is a vehicle to assure the public, clients and colleagues, that members of the profession are competent and act with integrity. However, codes of conduct are only a partial solution to the problem of unethical behavior. Codes can only guide one's behavior; the ethical decisions ultimately rest with the individual accountant. The long term effect of ethics underpinning must come from life-long learning.

In accounting education, few studies have assessed the effect of ethics intervention in the accounting curriculum. Empirical studies investigating the effects of ethics subject material which were integrated into existing accounting courses have produced mixed evidence (St Pierre et al., 1990; Armstrong, 1993; Ponemon, 1993a; Shaub, 1994; Welton et al., 1994). Armstrong (1993) did stress that the positive effect on students' moral development was beyond that which is expected to occur naturally. However if accountants continually score lower than other college graduates and adults on moral development, then ethics intervention may be an important and necessary feature of accounting education. Therefore, an understanding of the factors that are associated with elevated levels of moral development is of practical value in ensuring that accountants always adhere to high moral standards in their exercise of moral judgment (Thorne, 1999).

One way to promote high moral standards is to understand how accounting students achieve moral reasoning development. In general, Rest (1986b) claims that moral (or ethics) education programs are effective in promoting moral judgment development, particularly if the program lasts longer than three weeks and the intervention involves the participants in discussion of controversial moral dilemmas. The process of interactive exchange with students, combined with moral problem solving, appears to speed up the natural development of moral judgment.

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Calls for the expansion of ethics education in the business curricula are not new. Bok (1976) criticized business education for its lack of ethics education in the 1970s. Some have attributed the need for ethics in education to the general moral decline in society in recent decades (Giacomino, 1992). Many have argued that business education providers have a responsibility to contribute to the ethical development of learners (Bok, 1988; Gandz and Hayes, 1988). Smith (2003, p.49) claims “the leadership of the accounting profession as well as academe has a responsibility to inculcate in practitioners and students ethical behavior and personal integrity”. It was indeed around 1988 that business ethics was firmly placed on the agenda for real world practice applications (Lovell 2004), as shown in Table 3.1.

Table 3.1: Developmental phases of business ethics

Phase	Period	Focus of business ethics
1	1920 +	Theological and religious perspective raising questions on just wages and the morality of capitalism.
2	1960 +	Growing public awareness of social and ecological impacts of corporate activity.
3	1970 +	The discipline of business ethics emerged as a distinct paradigm with contributions from philosophers and political economists on the subjects of business ethics.
4	1980-1985	Evolved from a field of academic inquiry to debates in the world of practice.
5	1985 +	Agenda for action that can be classified according to two classifications: <ol style="list-style-type: none"> 1. academic programs 2. higher more robust research

The Treadway Commission (1987) cites ethics as a major factor in the prevention of questionable practices and recommends that business and accounting curricula should emphasize ethics education to help prevent, detect and deter fraudulent reporting. The Accounting Education Change Commission (AECC 1990) stressed the importance of teaching students how to handle ethical dilemmas. Although the American Assembly of Collegiate Schools of Business (AACSB 1992) had previously proposed ethics education as a core component in meeting standards for accreditation, the agency had been accused of ‘sidestepping’ the issue of ethics education by failing to require stand-alone ethics coursework (Swanson, 2005), even after the major corporate scandals of 2002. In a recent open letter to the National Association of State Boards of Accountancy (NASBA) from the American Accounting Association’s (AAA) Professionalism and Ethics Committee², “....the Committee is concerned that many individuals entering the profession are not currently educated or trained to understand their professional and ethical responsibilities, or how to recognize and solve ethical conflicts when they arise”. The letter further states that “university accounting programs can effectively contribute to this effort [to recognize and resolve ethical conflicts] through the delivery of professionalism and ethics training as a part of a student’s formal education”.

² The letter dated 11 February 2004 is a background document for the NASBA regional meeting June 2004: www.nasba.org, viewed 2 September, 2004.

Enriching ethics in accounting education and improving the moral behavior of its members is viewed as one way to restore the credibility of the profession (McPhail, 2001). Ethical or moral competency should be regarded by business as an accepted attribute of an accounting professional and arguably the starting place for developing such attributes is ethics education.

Research findings – Perceptions of ethical issues and failures

The following section of this chapter discusses the research findings in relation to perceptions of IFAC member bodies (Survey 1) and other stakeholders (Survey 2) on ethical issues and the role of and issues relating to ethics education.

Ethical issues are those situations which involve conflicting duties, principles and often competing interests. A professional accountant is often faced with a wide variety of ethical issues for which there are no clear solutions. Such challenges are threats to the maintenance of professional values, ethics and attitudes where accountants may be pressured to compromise their integrity and objectivity. Professional accountants have to make responsible decisions and exercise professional judgment based on their understanding of the situation and their prior education and development. In order to foster the relevance (of topics and standards) of ethics education for member bodies, we first establish an understanding of the types of ethical issues faced by accountants in different parts of the world and to recognize the general perceptions of the member bodies regarding ethics education.

Responding member bodies were asked to indicate their perceived likelihood of the occurrence of different types of ethical issues in public accounting practice, business entities and government and not-for-profit organizations. The probability levels were rated as ‘not likely’ (1); ‘somewhat likely’ (2); ‘likely’ (3); and ‘very likely’ (4). The overall responses, analyzed by the geographical region are reported in Table 3.2.

The ethical issues perceived as most likely to be prevalent in public accounting practice, business entities and government or not-for-profit sectors were conflicts of interest (including self-interest threats to ethical conduct), while in business entities, earnings management was also rated as likely to occur. Examples of these conflicts are provision of services which directly or indirectly compete with clients or employers, pursuing private contracts with suppliers or customers of clients or employers, deriving personal gain from one’s position, or from the information obtained during the performance of professional services. On the other hand, the emerging significance of earnings management has been seen as a key factor in many corporate collapses. Earnings management occurs when the true financial information is concealed by adjustments to the accounts to show a desirable outcome. Earnings management can involve re-stating accruals, mis-classification of accounts between revenue and capital items, smoothing the accounts to take advantage of temporary financial situations, manipulating accounts to show optimistic forecasts, and so on. It is also noteworthy that there was a higher risk of occurrence of ethical issues in business entities than in public accounting practices or the government and not-for-profit sectors. In particular, intimidation threats and earnings management threats are perceived as prevalent in business entities, while fraudulent activities are least likely in public accounting practices.

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Table 3.2 shows the results of both Surveys 1 and 2. The likelihood of occurrences in public accounting practices, business entities and the government and not-for-profit sectors as perceived by member bodies are listed in the first 3 columns. The last column records the responses by individuals to Survey 2 regarding the likelihood of respective ethical issues occurring in organizations in general.

Table 3.2: Perceptions of the likelihood of ethical issues by type of enterprise (mean scores)

Ethical Issues	Member bodies (Survey 1)			Other stakeholders (survey 2)
	Type of Enterprise			
	Public Accounting Practice	Business entities	Government/not-for-profit	
Conflict of interest including self interest	3.2	3.2	2.8	3.6
Self-review threats (e.g. checking own performance)	2.8	2.8	2.6	2.9
Client/management advocacy (e.g. empire building)	2.8	3.1	2.5	3.2
Familiarity threats (e.g. loss of objectivity due to closeness)	3.1	3.0	2.9	3.2
Intimidation threats (e.g. of dismissal)	2.7	3.0	2.7	3.1
Earnings management issues	2.6	3.2	2.3	3.3
Competency Issues	2.6	2.8	2.7	2.9
Fraudulent activities	2.2	2.7	2.7	2.5
Whistle-blowing issues	2.4	2.7	2.6	2.8

It is interesting to note that individuals outside the member bodies believed that there was a higher probability for most of the ethical issues occurring in organizations, while member bodies were less inclined to believe this to be the case. The only exception is in regard to fraudulent activities, where member bodies believed that such activities were more likely to be occurring in business entities (mean=2.7) and in governments (mean=2.7) and less likely in public accounting practices (mean=2.2), as compared with other individuals from Survey 2 with a mean score of 2.5. In all other instances, respondents to Survey 2 ranked more highly the likelihood of the identified ethical issues.

However, responding member bodies were aware of the significance of many of these ethical issues which may contribute to ethical failures. Based on their own observations and experiences in the accounting field, representatives of the responding member bodies rated the likelihood of these ethical issues in contributing to ethical failures, from ‘not likely’ (1); ‘somewhat likely’ (2); ‘likely’ (3) and ‘very likely’ (4).

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As shown in Table 3.3, the factor ‘self interest’ (mean 3.3) was rated as very likely by a large proportion (50 to 60 per cent) of respondents in their respective regions, except in Europe where it was rated as very likely by only 37 per cent of respondents in that region. Another issue rated highly was ‘failure to maintain objectivity and independence,’ with an overall mean of responses at 3.3. It is also noted that the factor of ‘lack of professional body’s support’ was rated as mostly ‘unlikely’ except in the case of the MAS region with a mean of 2.4 (somewhat likely to likely). It is worth investigating if there is a greater need for the member bodies in this region to apply more explicit measures in supporting members who encounter ethical problems.

Table 3.3: Factors contributing to ethical failure – perceptions of member bodies by geographic region (mean responses)

Ethical Failure Factor*	Geographic Region				Overall Mean**
	Americas	Asia/Pacific	MAS	Europe	
Self Interest	3.1	3.5	3.5	3.2	3.3
Failure to maintain objectivity and independence	3.0	3.6	3.5	3.2	3.3
Failure to withstand advocacy threats	2.9	2.9	3.0	2.8	2.8
Lack of competence	2.1	2.7	2.4	2.8	2.6
Lack of ethical sensitivity	2.6	2.9	2.8	3.0	2.9
Inappropriate professional judgment	2.9	3.2	2.9	3.0	3.0
Lack of professional body support	1.4	1.9	2.4	1.9	2.0
Lack of organizational and peer support	2.1	2.4	2.5	2.4	2.4
Improper leadership and ill-culture	2.9	3.1	2.8	2.7	2.8

*According to Pavot, Diener, Colvin and Dandwvik (1991), good internal consistency, occurs when a Cronbach alpha coefficient reported is .85 or higher. In the current study the Cronbach alpha coefficient was > .85 for Ethical issues identified in tables 3.3 and 3.4.”

** The overall mean is the weighted average of the responses for each of the four geographic region, weighted by the number of responses for each region.

Table 3.3 highlights the member bodies’ concerns about ethical failures. Each ethical issue listed was recognized as a likely threat or cause of ethical failure, with the exception of the factor of professional body’s support. It is therefore pertinent that the complexity of these ethical issues should be recognized in order to prevent the likely consequences of ethical failures.

The above result is also interesting when compared with the views of the individuals who completed Survey 2. Table 3.4 below shows a similar pattern of beliefs except in the case of improper leadership and ill-culture, where individuals in Survey 2 expressed a much stronger view than professional body respondents, that it is likely to contribute to ethical failures.

Table 3.4: Perceptions of factors contributing to ethical failure survey 2 by geographic region (mean responses)

Ethical Failure Factor	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Self Interest	3.5	3.4	3.6	3.3	3.4
Failure to maintain objectivity and independence	3.2	3.3	3.5	3.1	3.3
Failure to withstand advocacy threats	2.8	2.8	2.8	2.9	2.8
Lack of competence	2.3	2.9	2.6	2.7	2.5
Lack of ethical sensitivity	2.8	3.0	3.4	3.1	3.0
Inappropriate professional judgment	2.7	3.0	3.4	3.0	2.9
Lack of professional body support	2.1	2.1	2.4	2.7	2.2
Lack of organizational and peer support	2.8	3.0	2.7	2.8	2.8
Improper leadership and ill-culture	3.3	3.1	2.9	3.3	3.2
Lack of ethical courage to do what is right	3.1	3.2	3.3	3.1	3.2

Table 3.4, when compared with Table 3.3, suggests that individuals and member bodies who responded to the surveys have very similar views about the significance of the factors in contributing to ethical failures³. The main difference is that individuals rated improper leadership and ill-culture as a more likely factor contributing to ethical failures (mean=3.2) than did representatives of the responding member bodies (mean=2.8). The MAS region respondents generally showed a stronger belief that improper leadership does not contribute to ethical failure than the other regions. On the other hand, individuals in Europe believed that the lack of professional body support was more likely to contribute to ethical failure (mean=2.7) than did the European member body representatives (mean=1.9).

The ethical issues cited in the surveys are typical issues which might be faced by many in organizations and in professional practices. The ethical issues such as conflict of interest, failure to maintain objectivity and independence that accountants face are not unique to the accounting profession. As such, opportunities for wider consultation and collaboration with other professional bodies could be useful in resolving the confidence crisis that has evolved from a number of corporate collapses in recent times.

Research findings – Perceptions about ethics education

This section identifies the current perceptions of ethics education from a broad range of responses. The responses from Survey 1 of IFAC member bodies and Survey 2 of individuals including practitioners, academics, business executives and ethics experts are reported in quantitative terms. Interviews and focus group discussions with some insights from experts in the

³ It is acknowledged that the number of cases in any one cell in some instances is quite low and this may therefore limit the generalisability of the findings.

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field are discussed in the section that follows in the form of summary findings from qualitative analysis including direct quotes from participants, where appropriate.

Quantitative results

Both Surveys 1 and 2 solicit perceptions of the representatives of member bodies and of individuals from the accounting profession, including educators, ethics researchers, etc., by gauging their responses against perceptual statements. Respondents were asked to express their views by selecting whether they ‘strongly disagree’ (1); ‘disagree’ (2); ‘agree’ (3) or ‘strongly agree’ (4). The mean responses provide some indication of the respondents’ beliefs.

Table 3.5 below shows the responses of member bodies concerning their general views and perceptions about issues regarding ethics education. These views are then compared with the wider ‘world’ views from Survey 2. Questions in Survey 2 were similar but more extensive, as they were designed from the results of Survey 1. These views are shown further below in Table 3.6.

Table 3.5: Mean responses of member bodies by geographic region- agreement with statements about ethics education

Statement about ethics education	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Moral standards of students are fully developed and can't be changed or improved with education	1.6	1.4	1.5	1.9	1.7
There is a lack of qualified or specifically trained ethics educators in accounting/related disciplines	2.6	2.6	2.4	2.8	2.6
Good ethics education means requiring students to think critically before making decisions with ethical implications.	3.3	3.7	3.8	3.2	3.4
Accounting educators are reluctant to be involved in ethics education due to lack of opportunities/incentives	2.3	2.3	2.2	2.6	2.4
There is a lack of reference material specific to accounting and ethics	2.0	2.6	2.7	2.8	2.6
It is difficult to teach ethics because of its nature	2.1	2.5	2.8	2.5	2.5
Ethics should be learned as a life-long development	3.6	3.7	3.7	3.3	3.5
Members only need to be taught the rules of ethical behavior	1.6	1.9	2.0	1.9	1.9
There are insufficient resources and guidance to teach ethics	2.0	2.5	2.6	2.7	2.5
Ethics is too religiously and culturally sensitive, and it is hard to teach	1.6	2.1	2.1	1.9	2.0

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The vast majority of respondents disagreed or strongly disagreed with the statement 'moral standards are fully developed and cannot be changed or improved with ethics accounting education (mean of responses 1.7). Other perceptions of ethics education which had a high level of response for agreed or strongly agreed were 'ethics education should be learned as a life-long development' (overall mean=3.5) and 'good ethics education means requiring students to think critically before making decisions that have ethical implications' (mean=3.4). When compared with the wider world views regarding ethics education, Table 3.6 below shows different perceptions in almost all regions. To illustrate, the following differences are noted:

- In the Americas, member bodies were less likely to believe that there was a lack of reference materials specific to accounting ethics (mean=2.0) and they tended to disagree that ethics was difficult to teach because of its nature (mean=2.1). On the other hand, individuals in the Americas were more likely to agree that there was a lack of reference materials in accounting ethics (mean=2.6). They were more inclined to believe that ethics was difficult to teach (mean=2.5).

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Table 3.6: Mean responses of individuals by geographic region- agreement with statements about ethics education (Survey 2)

Statement about ethics education	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Moral standards of students are fully developed and can't be changed or improved	1.7	1.7	1.8	1.6	1.7
There is a lack of qualified or specifically trained ethics educators in accounting/related disciplines	2.8	3.2	2.7	3.0	2.9
Good ethics education requires accountants/students think critically about decisions with ethical implications.	3.4	3.6	3.6	3.6	3.5
Accounting educators are reluctant to be involved in ethics education due to lack of opportunities/incentives	2.4	2.4	2.1	3.3	2.4
There is a lack of reference material specific to accounting and ethics	2.6	2.7	2.8	3.1	2.7
It is difficult to teach ethics because of its nature	2.5	2.4	2.0	2.5	2.4
Ethics courses should be presented by accounting educators and ethics educators as a team.	2.9	3.1	3.0	2.9	3.0
Ethics is better learned through life experience and development	2.4	2.2	2.2	2.5	2.3
Accountants only need to learn the rules of ethical behavior	1.6	1.6	1.4	1.4	1.5
There is insufficient guidance to teach ethics.	2.2	2.4	2.5	2.5	2.3
Ethical courage is needed to translate ethical values into action.	3.5	3.2	3.5	3.0	3.4
Ethical behavior can only be maintained where leaders model ethical behavior.	3.4	3.3	3.2	3.3	3.3
Ethics is too religiously and culturally sensitive – better to avoid teaching ethics.	1.4	1.3	1.3	1.3	1.3
Ethical standards universal, learned by accountants irrespective of cultural environment	3.0	3.0	3.8	3.3	3.1

- In the Asia Pacific region, some differences exist between the views of member bodies and individuals from Survey 2. For the statement that ‘there is a lack of qualified or specifically trained ethics educators in accounting’, Survey 2 respondents were more likely to agree (mean=3.2) than member bodies (mean=2.6); but they disagreed much more strongly (mean=1.3) than member bodies (mean=2.1) that ethics is too religiously and culturally sensitive that it is hard to teach.
- For the MAS region, a more diversified view is shown by individuals from Survey 2. Member bodies were more inclined to agree (mean=2.8) that ethics is difficult to teach because of its nature than individuals from Survey 2 (mean=2.0). On the other hand,

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individuals in Survey 2 more strongly disagreed (mean=1.4) than member bodies (mean=2.0) that accountants should only need to be taught the rules of ethical behavior. Also, similar to the Asia Pacific region, MAS member bodies were less in disagreement (mean=2.1) than individuals (mean=1.3) with the statement that ethics is too religiously and culturally sensitive and that it is hard to teach.

- In Europe, some differences in opinions are found in the following statements: (1) accounting educators are reluctant to be involved in ethics education due to a lack of opportunities and incentives (member bodies' mean=2.6, Survey 2 individuals' mean=3.3); (2) members only need to be taught the rules of ethical behavior (member bodies' mean=1.9, Survey 2 individuals' mean=1.4); and (3) ethics is too religiously and culturally sensitive and it is hard to teach (member bodies' mean=1.9, Survey 2 individuals' mean=1.3).

In general, Survey 2 shows a much stronger belief from individuals that there are universal ethical standards which should be learned by accountants, irrespective of cultures or religions. This result is encouraging and is prompted by the disagreement by member bodies from Survey 1 that ethics is too hard to teach because it is religiously and culturally sensitive. There is also clear evidence that both groups strongly agreed that ethics education means developing accounting students (and learners) and accountants to think more critically regarding their decisions, and that ethics should be learned as a life-long development.

In terms of the responsibility of professional bodies in ethics education, member bodies believe that professional ethics development is a significant role of accounting bodies. Table 3.7 shows an interesting perception of member bodies regarding the approach of ethics education that should be adopted.

All member bodies rated highly ('agreed' to 'strongly agree' mean=3.8) their role in ethics development. In contrast, the statement 'the professional body should not prescribe the nature of ethics education' was universally rated as strongly disagree to disagree (mean=1.6) by member bodies. Another statement which was consistently rated as strongly disagree to disagree was 'ethics can only be learned in the workplace' (mean=1.9).

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Table 3.7: Mean response member bodies' perceptions of ethics education by geographic region

Statement about ethics education	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Professional accounting bodies have a significant role in ethics development	3.7	3.8	3.6	3.8	3.8
Ethics should be learned just like other technical accounting skills	3.1	3.5	3.3	3.1	3.2
Ethics should be learned as part of general education prior to entry level	3.1	3.4	2.8	2.8	3.0
Ethics should be learned as part of the pre-qualifying programs	3.6	3.7	3.2	3.4	3.5
Ethics can only be learned in the workplace	1.6	1.9	1.8	1.9	1.9
Ethics should be a compulsory foundation unit in pre-qualifying programs	3.0	3.1	3.1	3.0	3.0
Ethics should be learned as a dedicated unit in pre-qualifying programs	2.9	2.6	2.7	2.7	2.7
Ethics should be integrated within other relevant units of study in pre-qualifying programs	3.4	3.3	2.9	3.1	3.1
Ethics should be a dedicated unit and integrated within other units of study in pre-qualifying programs	3.0	3.1	3.3	3.1	3.1
The professional body should not prescribe the nature of ethics education for accountants	1.1	1.4	1.8	1.6	1.6

With a commitment to develop professional values, ethics and attitudes for members, member bodies have a strong belief that ethics should be learned as part of the pre-qualifying programs (mean=3.5) and that they also agreed ethics should be a compulsory foundation (mean=3.0) in the pre-qualifying program. Additionally member bodies acknowledged that there was justification for ethics to be learned as a compulsory foundation unit in pre-qualifying programs (mean=3.0). There is also more common agreement amongst all regions that ethics should be learned as a dedicated unit and also integrated within other units of studies in pre-qualifying programs (mean=3.1), while some member bodies (e.g. the Americas) preferred integrated studies of ethics (mean=3.4) and others in the MAS region were in favor of having a dedicated unit and with additional integration within other units of the pre-qualifying programs.

Qualitative results

Ethical or moral competency is an important attribute of an accounting professional and accounting education is part of the process in developing competency levels. In canvassing views on ethics and the role of ethics education in general, a diversity of views was expressed by interviewees and focus group participants. Although there were broadly based perceptions that ethical values are formulated quite early in life, our project also reveals general agreement by

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interviewees regarding the ethical influences exerted by other environmental factors such as school, religion and the wider community. The following quotations reflect this view:

“I would say that most of us learn our ethics at our mother’s knee, and I think it’s very hard to teach people in tertiary education a way of changing their ethics and becoming a better person.” [academic/ethics expert – Asia Pacific].

“I also think that the society in which we operate has obviously a lot to do with the level of ethics in it.” [member body/ regulatory body - MAS]

“I think the training on morality and ethics is very consistent with the objective 1.1 of the university which requires or gives us the mission of enhancing the all round development of our students in all the major dimensions: global outlook, creativity, being ethical and being a responsible citizen.” [practitioner/industry – Asia Pacific].

Although ethical values might have been established in individuals’ early years, it was pointed out by a number of interviewees and focus group members that ethics education and development programs can reinforce the fundamental values one has developed, and strengthen one’s understanding of how to apply these values. Moreover the value building and reinforcement concepts are seen by many interviewees as an important long term goal for the profession.

“It may be argued that at best, ethics education can make students and members aware of and understand the ethical standards, values, skills and behaviors required if they are to be accepted as, and to retain the title of, professional accountant. However, it is unlikely that ethics education will discourage unethical behavior from those who are so predisposed. As the profession’s commitment to ethical behavior and values becomes more widely understood and believed, those not inclined to such behavior will find the profession less attractive. Therefore the effect of an increased focus on ethics education may have a more medium to long term effect on the profession in general....” [anonymous member body representative comment– Survey 1]

There was also a sense that it is worthwhile fostering the development of ethical behavior of accounting students and practitioners. The accounting educators’ role was seen as changing in line with social expectations in terms of graduate attributes and also the basic educational curriculum that should provide the building blocks for the development of ethical behavior. The value of ethics education in accounting can be further demonstrated from the following quotes which highlight the benefit of ethics education as part of the preparation of learners to contribute effectively to society.

“..I guess one of the things that we are trying to do in the [ethics] course is to explore that possibility of, not only develop, not only seeing knowledge in conventional terms, [but] to see the unconventional terms of having emotional knowledge. So I guess one of the things that the course is about people, and emotional intelligence in some senses, trying to develop empathy towards other people. [academic/ethics expert – Europe]

“.. what we are saying is that the accounting profession ...isn’t going to solve the problem on its own [that is] ensure Enron doesn’t happen again. I think it’s got to be

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a collective thing that involves people looking at basic educational curriculums again so that maybe they do have the building blocks, they've got the basic foundational stuff ... [academic/ethics expert – Europe]

“..as you probably would be aware in the literature, there's a debate as to whether education at that stage can have any impact at all. I think that is a fairly kind of naive debate, because it's always going to depend on the type and nature of the education you are talking about... You have the question of whether ethics education can have any impact. What I would argue is that it can, depending on the nature of the education. Whether that impact is sustained depends again on something else – it might have an impact, but it mightn't have an impact for 6 months, and when the person then goes back and is imbedded within the professional culture within the organization, any impact or effects he's had, may diminish. I think that if anyone is serious about ethics education, I think it again would be naive to say that it's something that you can affect on a ten week course. I think It's got to be seen as something which is a lot broader than that – something which the notion of ethics needs to become more institutionally imbedded both within the culture of the institution and in the programmes that maintains...such as ..CPD courses, but even more than that” [academic/ethics expert – Europe]

Ethics education in accounting has been viewed by some as reinvoking a concern for the profession's own well-being, and that the accounting profession should adopt a broad perspective to build a long term framework for the development of professional values, ethics and attitudes. The following quote reinforces this.

“.. I also think actually one of the interesting things that professions are having to grapple with now is exactly what does it mean to be a professional, exactly what does that involve conceptually – ideas about being a professional. I really don't think that's something that's been explored, it's almost been assumed in the past. I think if you look at the historical development of the profession, it may have taken a lot of those assumed values from the classes where its drawing its members from, and now when those values have been undermined, you're left with a kind of vacuum, and its quite difficult for people to understand and appreciate what professionalism is, what it means. It's in a sense, reconstructing that whole notion and culturally imbedding it, in practices and processes and even the language of the profession. Ethics education if it's to be taken seriously I think it needs to be seen as something which forms part of a broader whole - a larger program. I guess as well at the back of my mind, given the history of what's happened in the past, I think some people are slightly concerned... that changes in the professions may be slightly reactionary in an attempt to establish the creditability again..... that is if its really to be taken seriously then, it can't be a knee jerk reaction – lets develop an ethics course. I think that's really important but its not going to have any impact unless it's imbedded in a broader structure. [academic/ethics expert – Europe]

Summary

Based on a review of the literature concerning accounting ethics and ethics education, this Chapter reports the first set of the research findings of the perceptions of member bodies and other individuals. The following key findings are noted:

- Conflict of interests, including self-interest threats are the ethical issues most likely to be faced by accountants in public accounting practice and business entities and are also relatively significant in the government and not-for-profit sectors.
- Earnings management issues are believed to be more commonly faced by accountants in business entities than in accounting practices or the government or not-for-profit sectors.
- Representatives of the member bodies in Asia Pacific and in the MAS regions were more inclined to believe that self interest was the threat most likely to contribute to ethical failure, than were those from other regions.
- Individuals in the MAS region were also more concerned about the lack of ethical sensitivity and failure to make proper professional judgment, leading to ethical failures.
- From the findings, key ethics threats suggested are: self-interest; failure to maintain objectivity and independence; improper leadership and poor organizational culture; lack of ethical courage to do what is right; lack of ethical sensitivity; and failure to exercise proper professional judgment.
- Most respondents agree that ethics should be learned as a form of life-long professional development.
- Good ethics education means requiring learners to think critically before making decisions with ethical implications.
- Most respondents disagree that ethical standards of individuals cannot be changed or improved.
- Individuals strongly believe the need for ethical courage to translate values into action and ethical behavior can only be maintained where leaders are a model of ethical behavior.
- There was a strong consensus of opinion that ethics should be learned as a compulsory part of the pre-qualifying programs and that ethics should be a dedicated unit, as well as integrated within other units of study in pre-qualifying programs.
- There is also a strong belief that professional accounting bodies have a significant role in ethics education and that the nature of ethics education should be prescribed.
- Many interviewees also believed that ethics education should be introduced as part of a broader program to develop accountants' professional values, ethics and attitudes.

This Chapter sets the scene for the remainder of this research report. The findings reported so far indicate that there is positive feedback in relation to the need and scope of ethics education for accountants. Moreover, there is a general belief that ethics education is necessary to ensure coverage of a range of ethical issues faced by accountants in public practice, business entities, the government and not-for-profit sectors. The scope of ethical issues identified by respondents also provides an indication of the direction for ethics education. Professional bodies are generally satisfied with the support that they provide to members. However, in order to undertake a

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significant role in ethics education, member bodies need to consider the continuing nature of ethics education, so that both pre-qualifying and post-qualifying programs offer ethics education as a life long or career-long learning.

Chapter 4: An Inventory and Analysis of Current and Good Practice

During the nineteenth century the religiously based liberal arts college often included courses on ethics and values as part of the curriculum. Institutions were founded upon the vision of teaching students to lead virtuous lives (Hill and Stewart, 1999). The academic curriculum and the entire campus environment clearly viewed the formation of student character as a central mission (Pascarella and Terenzini, 1991). Moral philosophy was regarded as the most important course in the college curriculum and it was taught as a capstone course that consolidated, integrated and gave meaning and purpose to the student's college experience. Moreover, it sought to equip graduates with the ethical sensitivity and insight that would benefit both themselves and society (Sloan, 1980). However, the rise of research universities and the fragmentation of knowledge that accompanied the evolution of academic disciplines in the twentieth century, contributed to the decline of the direct curricula approach to the development of character and ethical sensitivity (Pascarella and Terenzini, 1991). In the present environment in higher education institutions such as universities, ethics education is fragmented and as such does not foster moral sensitivity and growth (Baxter and Rarick, 1987 cited in Lyonski and Gaidis, 1991).

This Chapter examines the current practices and methods in relation to ethics education. In particular, we discuss ethics education good practice research and relate it to the responses of IFAC member bodies and other research findings.

Literature review

Criticisms of the accounting profession that question the competence and integrity of its members is likely to be a major factor prompting increased the levels of ethics education. However, Sims and Sims (1991) cite additional reasons driving the incorporation of ethics in the business curricula, namely:

- external pressure generated from professional organizations in the hope that graduates might behave better in their professional lives;
- specific moral issues, such as whistle-blowing and insider trading, that students may one day need to address;
- a multi-disciplinary and methodological change in programs dominated by heavy technical or quantitative components;
- scholarly interest in ethical dilemmas of professionals, stimulating a greater interest in the teaching of ethics.

This section of the literature review investigates how education providers and business schools have responded to increasing calls for ethics education by examining the extent to which ethics has been incorporated into the business and accounting curricula. The results of major empirical studies in ethics coverage are summarized in Table 4.1. The summary table illustrates that during the 1970s, there was limited ethics coverage in business programs (Loeb and Bedingfield, 1972). However, the number of providers offering at least one course in business ethics did improve throughout the 1970s, with a majority of programs surfacing after 1973 (Hoffman and Moore, 1982). Ethics coverage increased during the 1980s with many studies reporting coverage of 50% (Singh, 1989; Milton-Smith, 1996) to 90% (Wynd and Mager, 1989; Schoenfeldt et al., 1991; Dellaportas and Leung, 2001). However, in the U.S. surveys of ethics coverage at different

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colleges and universities show at least 10% did not include ethics in their programs (see Table 4.1) (Farnsworth and Kleiner, 2003) while many academics deemed lectures and written cases as the most effective method of teaching ethics. Some suggestions were also made in the Report of Ethics Education in Business Schools to the AACSB International's Board of Directors (2004).

The extent of ethics education in the business and accounting programs appears to have been increasing since Loeb and Bedingfield's (1972) original study. While this trend is encouraging, many ethics programs appear to be optional and focused on business ethics; few programs specialize in accounting ethics. Commentators continue to claim that ethics education in accounting is not covered in a significant way in most institutions of higher learning (Swanson, 2005; Gaa and Thorne, 2004; Lampe, 1996; Armstrong and Mintz, 1989; Cohen and Pant, 1989; Cooke et al., 1987-1988). Gaa and Thorne (2004, p.1) note that ".....it is apparent that ethics has not been given the prominence in the classroom that it requires". The authors quote a study of the accounting curriculum by PricewaterhouseCoopers (2003) which indicated that ethics is not a consistent, integrated part of the education of most accounting students. With limited ethics coverage in the business and accounting curriculum it is unlikely that accounting students and trainees will have sufficient training in business ethics.

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Table 4.1 Trends in Ethics Coverage

Author (Date)	Sample	Schools Offering a Separate Ethics Course	Schools Integrating Ethics into the curriculum
Loeb & Bedingfield (1972)	83 Chairpersons of AACSB accredited institutions	12% offer Business Ethics Nil offer Accounting ethics	99% in Auditing 21% in tax and 21 % in 'other' course
Hoffman & Moore (1982)	655 AACSB accredited institutions	55% offer at least one course in business ethics - the majority surfacing after 1973. 29% were planning to offer a separate course.	NA
George (1987)	132 Deans of AACSB accredited institutions	47% of undergraduate programs 33% of graduate programs	36% of undergraduate and 40% of graduate programs integrate ethics in one or more courses
Karnes and Sterner (1988)	281 Chairpersons of Accounting Schools	8.5% offered separate course in accounting ethics 33.3% offered a general business ethics course	58% incorporated ethics into auditing and other accounting courses
Cohen and Pant (1989)	145 (70 AACSB accredited) Chairpersons of US colleges and universities	40% offered a course in business ethics. 18% required accounting students to take an ethics course.	Where integration occurred – mostly in auditing.
Armstrong and Mintz (1989)	137 Deans of AACSB accredited institutions	7.3% offered a separate course in accounting ethics	95.6% in auditing course 19.7% in business law.
Chua, Perera and Mathews (1991)	Heads of 45 Accountancy departments	4% offered a separate course in undergraduate programs nil at graduate level.	63% of undergraduate programs 15% of post graduate programs Ethics is most frequently taught in Auditing.
Thompson, McCoy and Wallstead (1992)	157 Chairpersons of AACSB accredited institutions	18% of undergraduate and 8% of graduate programs require a separate course. 33% of undergraduate and 21% of graduate programs offer ethics as an elective.	97% incorporated ethics into one or more core business or accounting courses 96% addressed ethics in auditing. over one half addressed ethics in a law course.
McNair and Milam (1993)	Stratified sample of 202 accounting faculty from the 1988 edition of Hasselback's Accounting Faculty Directory	N/A	77% include some ethics in at least one course

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Author (Date)	Sample	Schools Offering a Separate Ethics Course	Schools Integrating Ethics into the curriculum
Milton-Smith (1996)	45 Business schools	9% offer required units in business ethics 11% offered electives targeted mainly postgraduate students.	49% integrated into core business disciplines
Pizzolatto and Bevill (1996)	395 students from 8 institutions	NA	Integrated mostly in Business Law, least coverage in Economics and Finance.
Dellaportas and Leung (2001)	24 Heads of School of Accounting in Australia	54% offer their undergraduate accounting students a separate course	46% integrate into various accounting courses.
Farnsworth and Kleiner (2003)	Sample of US Colleges and Universities		11% @ undergraduate nothing; 43% @ 1-2 hours; 25% @ 3-4hours; 21% >4 hours. 10% of postgrad none; 33% @ 1-2 hours; 31% @ 3-4 hours and 26% @ >4 hours.

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Integrating ethics into existing required technical subjects appears to be the favored approach to ethics education. Auditing followed by Law (Business or Tax) are the popular subjects for the integration of ethics topics (Loeb and Bedingfield, 1972; Karnes and Sterner, 1988; Armstrong and Mintz, 1989; Cohen and Pant, 1989; Chua et al., 1991; Thompson et al., 1992; Pizzolatto and Bevill, 1996). Limited coverage in other subjects (for example, Cost Accounting, Management Accounting, Financial Accounting, and Accounting Information Systems) is surprising and unfortunate given the abundant scenarios offering the opportunity for the discussion of ethical issues in each of these subject areas (Cohen and Pant, 1989). Even though total integration is yet to be achieved, empirical evidence suggests that ethics education is to some extent integrated throughout the business curricula with the exception of finance and economics programs (Pizzolatto and Bevill, 1996).

However, even when ethics is addressed in Auditing, it is unlikely to receive adequate attention. Approximately 2 hours per semester (term) were dedicated to teaching professional ethics in entry level auditing, and approximately 1.5 hours in other study programs in the 1980's (Engle and Elam, 1985; Cooke et al., 1987-1988). The time devoted to ethics had increased at the time McNair and Milam (1993) undertook their study. They found that an average of 4 hours in a term was dedicated to ethics education with the respondents believing that the time spent on teaching ethics was reasonable. In a review of articles in *Accounting Education: An International Journal* from 1992-2001, Paisey and Paisey (2004) found that ethics education is often simplistic and provided mostly by professional bodies.

Despite progress with the integration of ethics in accounting, curriculum change is generally an evolutionary rather than revolutionary process. Overall, there is growing evidence of business schools responding to the call for greater ethics coverage in the business curricula with the majority of integration occurring during the 1990s (Pizzolatto and Bevill, 1996). Ethics is now integrated into a number of required accounting programs with particular emphasis in Auditing. In cases where ethics is not taught, the rationale cited includes: 'other courses covered it', 'staff shortages', 'no qualified staff', 'funding limitations', 'cannot fit units in' and 'lack of staff interest' (Milton-Smith, 1996). However, Milton-Smith (1996) contends that the reasons given by the respondents are unconvincing and give the impression that most business education providers do not give high priority or urgency to the teaching of business ethics. Given the above background, responses relating to ethics education at entry and pre-qualifying level programs from the present study of member bodies (Survey 1) and other stakeholders (Survey 2) are analyzed below.

Research findings: IFAC member bodies

This section presents an analysis of the inventory provided primarily from Survey 1 by the 66 (41%) IFAC member bodies who responded to the questionnaire. The percentage responses shown are based on the number of responses to each question.

At the outset it should be noted that IFAC member bodies who responded to Survey 1, expressed very strongly the view that ethics education is necessary to:

- develop a sense of ethical responsibility in future accountants;
- improve the moral standards and attitudes of future accountants;

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- develop the problem solving skills that have ethical implications; and to
- develop a sense of professional responsibility.

The respondents also agreed that ethics education should achieve the objectives of sensitizing and deepening accountants' understanding of ethical issues, and in developing a knowledge and understanding of the IFAC *Code of Ethics for Professional Accountants*. It is also seen to be important as a means of responding to the public calls for greater ethics awareness. In this section, we report not only the current practices of IFAC member bodies in entry, pre- and post-qualifying programs, but also provide some comparison, wherever appropriate with the responses to Survey 2. Such analysis should draw upon the strengths and possible areas for improvement in ethics education.. The findings reported are based on the following categories:

- current practices of entry and pre-qualifying programs in ethics education and development; and
- current practices of post-qualification programs in ethics training.

Current practices of ethics education and development in entry and pre-qualifying programs

It is recognized that IFAC member bodies are a diversified group in which many different educational systems operate. Survey 1 considers current practice by examining the member bodies' qualification systems, ethics policies and requirements at entry and pre-qualifying levels and identifies the extent of ethics education and development embedded within current programs.

In the main, as shown in Table 4.2, over 43% of the responding member bodies require a university undergraduate degree as the entry requirement and this requirement is more prevalent in the Americas, Asia Pacific and the MAS regions. A higher proportion of European bodies allow the attainment of university entrance qualifications as entry requirements, rather than actually having a university undergraduate degree. Entry qualifications are more diverse in Europe than in other regions where there is a pre-dominance of university undergraduate requirements for entering into the professional accounting career. Note that in Table 4.2 and the tables that follow the overall average percent is weighted according to the number of responses within each geographic region

Table 4.2: Distribution of pre qualifying programs entry requirements by geographic region (% response)

Pre qualifying education requirement	Geographic Region				Overall Average %
	Americas	Asia/Pacific	MAS	Europe	
Secondary education	28.6	0	8.3	20.0	14.1
University entrance	14.3	20.0	25.0	30.0	25.0
Post-secondary college	0	13.3	0	3.3	4.7
University undergraduate	57.1	66.7	50.0	26.7	43.8
University post-graduate	0	0	16.7	20.0	12.5
Total	100.0	100.0	100.0	100.0	100.0

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The range of methods for professional qualification adopted by the member bodies results in differing policies regarding their expectations of ethical competence at entry level. In detail, at entry level the majority of the member bodies, especially those in the Americas, rely on the circulation or distribution of their ethical codes to candidates as a means of alerting them to the ethical requirements for those pursuing an accounting career. The more rigorous manner of assuring a certain degree of ethical competence is through a system of accreditation or approval, as in the example of CPA Australia and the Institute of Chartered Accountants in Australia (Asia Pacific region) or those in Africa (MAS region). Table 4.3 shows the detail of ethics policies at entry level.

Table 4.3: Distribution of professional ethics entry requirements by geographic region (% of responses)

Pre qualifying entry requirement	Geographic Region				Overall Average %
	Americas	Asia/Pacific	MAS	Europe	
Approval of/accrediting programs	0	20.0	33.3	12.5	16.7
Completion of ethics workshops/seminars	0	13.3	0	9.4	7.6
Circulation of code of ethics	85.7	40.0	25.0	40.6	42.4
Assumed within personal development	14.3	13.3	25.0	12.5	15.2
None of the above	0	13.3	16.7	25.0	18.2
Total	100.0	100.0	100.0	100.0	100.0

It is argued that where there is no ethics policy at entry level, member bodies largely incorporate ethics education and development within their pre-qualifying programs. Table 4.4 shows that many member bodies (overall 43.9%) use a stringent system of professional examinations, with 75% of member bodies in the MAS region using this approach.. For others, such as the Americas, pre-qualification programs include both examinations and the completion of set tasks. ‘Approval of post-graduate studies’ and ‘no formal education required’ were the least frequent requirements in all regions.

Table 4.4: Distribution of pre-qualifying education program requirements by geographic region (% response)

Education program requirement	Geographic Region				Overall Average %
	Americas	Asia/Pacific	MAS	Europe	
Examinations set by professional body	28.6	33.3	75.0	40.6	43.9
Examinations and tasks set by professional body	57.1	40.0	16.7	25.0	30.3
Approved postgraduate studies	14.3	6.7	0	6.3	6.1
No further formal education required	0	6.7	0	6.3	4.5
Other requirements	0	13.3	8.3	21.9	15.2
Total	100.0	100.0	100.0	100.0	100.0

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To gauge more effectively the development of professional accountants, the survey also obtained information on the professional experience requirements of the IFAC member bodies. As indicated in Table 4.5, overall half of the respondents indicated that they require a ‘3-year employment in accounting or related area’ to qualify. However, it is noticeable that in the Americas 20% reported that there was no professional experience requirement.

Table 4.5: Distribution of professional experience requirements for qualification by geographic region (% response)

Professional experience requirement	Geographic Region				Overall Average %
	Americas	Asia/Pacific	MAS	Europe	
3-year employment in accounting or related area	40.0	53.3	58.3	46.9	50.0
3-year employment in specified accounting area	20.0	6.7	25.0	37.5	26.6
No professional experience required	20.0	6.7	0	0	3.1
Other experience	20.0	33.3	16.7	15.6	20.3
Total	100.0	100.0	100.0	100.0	100.0

While it is believed by member bodies and other respondents that ethics education is beneficial to develop ethical competence, not all member bodies indicated that they had an ethics policy for pre-qualification programs. Table 4.6 shows that overall, 69.7% of responding member bodies reported they had a policy for the development of professional ethics. The regions with the highest proportions of member bodies with an ethics policy were Asia Pacific and Europe (80.0% and 71.9% respectively), with 57.1% from the Americas and 58.3% from the MAS region.

Table 4.6: Distribution of policy on ethics development policy by geographic region (% response)

Ethics Development Policy	Geographic Region				Overall Average %
	Americas	Asia/Pacific	MAS	Europe	
Yes	57.1	80.0	58.3	71.9	69.7
No	42.9	20.0	41.7	28.1	30.3
Total	100.0	100.0	100.0	100.0	100.0

Table 4.7 shows how ethics development policies at pre-qualifying level were incorporated in the curriculum by member bodies. It can be seen that ethics is ‘integrated in the program’ in the majority of professional bodies across the regions (87.0 per cent).

Table 4.7: Distribution of pre-qualifying level ethics education requirements by geographic region (% responses)

Pre qualifying level ethics education	Geographic Region				Overall Average %
	Americas	Asia/Pacific	MAS	Europe	
Ethics is integrated in the program	100	100	71.4	82.6	87.0
One or more unit/topics dedicated to ethics	-	-	28.6	17.4	13.0
Total	100.0	100.0	100.0	100.0	100.0

However, while most regions integrate ethics education in their pre-qualifying programs, the most predominant extent of integration was ‘less than 10 per cent’ in all areas.

A higher proportion of member bodies in the Asia Pacific and European regions (45% and 42% respectively) had more than ethics integrated in more than 10% of the curriculum. A more detailed analysis of responses revealed that in the Asia Pacific region all Australian bodies reported that integration was ‘more than 10%’. Many Asian countries, however, reported a ‘less than 10%’ integration. Countries in the area include Malaysia, Japan, Korea, Malaysia, Pakistan and Thailand. China and India, on the other hand, reported ‘more than 10%’ of the curriculum devoted to ethics education in pre-qualifying programs.

Table 4.8: Ethics education requirement when integrated in pre-qualifying courses by geographic region (% response)

Extent of ethics education requirement	Geographic Region				Overall Average%
	Americas	Asia/Pacific	MAS	Europe	
More than 10% of course	25.0	45.5	-	42.9	35.7
Less than 10% of course	75.0	54.5	100	57.1	64.3
Total	100.0	100.0	100.0	100.0	100.0

Respondents were further requested to indicate the level of importance of different topics in ethics using a scale of 1 (not important), 2 (some importance), 3 (important) and 4 (very important). Further analyses show that where ethics is integrated in more than 10% of the pre-qualifying programs, member bodies tend to pay more attention to the concepts and principles of ethics, such as moral development theories, principles-based frameworks, factors affecting ethical behavior in organizations for individuals, and codes and standards. Table 4.9 shows that the perceived importance of most topics was reasonably evenly distributed. However, where ethics is less than 10% of the pre-qualifying programs, member bodies concentrate on those issues directly related to financial services (overall mean 3.7) and heavy emphasis is placed on learning the code (overall mean 3.8). Tables 4.9 and 4.10 show the results.

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Table 4.9: Importance of ethics topics in pre-qualifying professional body programs with >10% ethics - by geographic region

Ethics topic	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Ethical and moral development theories	4.0	3.0	-	2.9	3.0
Rule-based frameworks for ethical behavior	3.0	3.2	-	3.0	3.1
Principle-based frameworks for ethical behavior	4.0	3.5	-	3.3	3.4
Ethical issues in financial services	3.0	3.5	-	3.2	3.3
Factors influencing organizational behavior and corporate governance	4.0	3.7	-	3.3	3.5
Factors influencing individual ethical behavior	4.0	3.5	-	3.2	3.4
Ethical codes and professional guidance	4.0	3.5	-	3.7	3.6
Standards of technical competency to achieve professional integrity	4.0	3.2	-	3.7	3.5
Other	-	3.0	-	3.5	3.3

Table 4.10: Importance of ethics topics in pre-qualifying professional body programs with <10% ethics - by geographic region

Ethics topic	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Ethical and moral development theories	1.7	2.8	1.8	2.1	2.1
Rule-based frameworks for ethical behavior	2.0	3.0	1.8	3.0	2.6
Principle-based frameworks for ethical behavior	3.0	3.5	2.3	3.5	3.2
Ethical issues in financial services	3.7	3.8	3.5	3.8	3.7
Factors influencing organizational behavior & corporate governance	2.7	3.3	2.5	2.6	2.7
Factors influencing individual ethical behavior	2.3	3.5	2.8	3.0	3.0
Ethical codes and professional guidance	4.0	3.8	3.3	4.0	3.8
Standards of technical competency to achieve professional integrity	3.0	3.3	3.0	3.6	3.3
Other	-	4.0	1.0	2.5	2.5

Where ethics is a dedicated unit or topic within the pre-qualifying program, member bodies in Asia Pacific regard all topics as very important, while both European and MAS regions place more emphasis on learning those ethical issues related to financial services and the code. The Americas region provided a nil return on this question since all respondents reported that all their programs were integrated with ethics.

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Table 4.11: Importance of ethics education in professional body programs with topics in units/topics dedicated to ethics – by geographic region

Ethics topic	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Ethical and moral development theories	-	-	1.0	2.7	2.3
Rule-based frameworks for ethical behavior	-	-	2.0	2.8	2.7
Principle-based frameworks for ethical behavior	-	-	1.7	3.2	2.8
Ethical issues in financial services	-	-	3.7	3.5	3.6
Factors influencing organizational behavior and corporate governance	-	-	1.7	3.2	2.8
Factors influencing individual ethical behavior	-	-	2.7	3.0	3.0
Ethical codes and professional guidance	-	-	3.7	3.7	3.7
Standards of technical competency to achieve professional integrity	-	-	3.0	3.3	3.3
Other	-	-	-	3.0	3.0

Comparing the above tables 4.8, 4.9, 4.10 and 4.11 with the results of the responses from the respondents in Survey 2, there appeared to be some gap in the importance placed upon certain topics and those offered in the pre-qualifying programs. Table 4.12 shows the results of the mean importance placed by individuals in various geographical regions.

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Table 4.12: Importance of ethics topics in pre-qualifying programs –professional/industry respondents by geographic region

Ethics topic	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Ethical and moral development theories	3.0	3.0	3.3	2.6	3.0
Rule-based frameworks for ethical behavior	2.9	2.4	2.6	2.0	2.7
Principle-based frameworks for ethical behavior	3.5	3.6	3.4	3.4	3.5
Nature and causes of ethical dilemmas related to accounting	3.5	3.6	3.6	3.5	3.5
Factors influencing organizational culture	3.0	2.9	2.8	2.8	3.0
Corporate governance	3.1	3.2	3.7	3.0	3.2
Factors influencing individual ethical behavior	3.4	3.1	3.4	3.6	3.3
Ethical codes and Professional guidance	3.2	3.0	3.4	3.3	3.2
Professional skills and competency	3.1	3.3	3.6	3.3	3.2
Legal and compliance framework	3.0	3.0	3.1	2.8	3.0
Methods to translate ethical values to business settings	3.4	3.4	3.3	3.5	3.4
Ethical dimension and value systems –cultural diversity	2.9	2.8	3.1	2.9	2.9

An example of the gap mentioned above is that principle-based frameworks for ethical behavior were viewed by individuals as very important, but were not rated as strongly in the responses provided by member bodies. The two groups of respondents however, were in alignment in their views on topics concerning the nature and causes of ethical dilemmas in accounting and related areas.

In summary, the state of ethics education and development in the current pre-qualifying programs of IFAC member bodies can be described as follows:

- Pre-qualification systems of IFAC member bodies are diverse. Many member bodies adopt a less proactive approach at entry level (such as ‘Ethics is alluded to through circulation of the code’), to be followed by a pre-qualification system where ethics is mostly embedded within professional examinations or tasks.
- Ethics education and development tends to be integrated within the pre-qualification programs, albeit most were not extensive but at or below the 10% content level.
- The extent of ethics education appears to be dependent on the ‘space’ it constitutes in pre-qualifying programs. Ethical concepts are more liberally covered where ethics is more than 10% of the pre-qualifying programs. On the other hand, most bodies tend to focus on the code and issues directly related to financial services.

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- In the Americas, all member bodies require a university degree as an entry point. This may explain the integration of ethics education within the pre-qualification programs which is apparent in a wide range of topics.
- Whilst only member bodies in MAS and Europe reported that ethics was deliberately treated as a separate element of the pre-qualifying programs, emphasis was still placed on the code.
- Most member bodies and other ethics education experts and accountants were in agreement with respect to the objectives of ethics education.
- A comparison of the perceptions of individuals responding to Survey 2 and the practices of IFAC member bodies in respect of ethics education in pre-qualifying programs indicates some areas worthy of consideration. For example, there appears a greater need to cover the topic of principle-based frameworks for ethical behavior in the MAS region; there is a need for more extensive coverage on factors influencing organizations and corporate governance issues in the regions of MAS and Europe; and there appears to be an over-emphasis in rule-based frameworks in Europe, which warrants investigation.

Current practices of ethics education and development in post-qualifying programs

In light of the current environment in the profession, some member bodies have proactively included ethics development programs into their Continuing Professional Development (CPD). Before considering the current practices in post-qualifying programs, we will review the beliefs of individuals who responded to Survey 2 regarding the objectives of ethics education at post-qualifying level.

Ethics education at post-qualifying levels would enable accountants to achieve the following objectives. The perceived objectives of ethics education at post-qualifying levels are identified from Survey 2, and are listed in descending order of agreement between a mean of 3.6 and 3.2 (i.e., mostly between strongly agree and agree), namely:

- to support and deepen accountants' understanding of professionalism and develop skills in ethical judgment;
- to help accountants manage and withstand ethical dilemmas and to maintain their ethical standards and attitudes;
- to reinforce practice consistent with the professional code and to help accountants choose ethical priorities; and
- to regain public confidence in accounting and to appreciate the importance of learning ethical conduct in the workplace.

This section of the report shows the extent of ethics education in post-qualifying programs. Member bodies were asked to indicate how ethics education was incorporated within their CPD programs. It appears, from Table 4.13 that many professional bodies have been relatively conservative in their approach to ethics education requirements. The most frequent requirement is that ethics development is 'generally encouraged only' (56.3 per cent). The emphasis on ethics in post-qualifying education is strongest in Asia Pacific and seemingly weakest in the Americas,

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although this finding should be treated cautiously because of the small number of responses involved.

Table 4.13: Ethics requirements in post-qualifying programs - % response by geographic region

Types of educational requirements	Americas	Asia/Pacific	MAS	Europe	Total
Ethics not specified in CPD	66.7	13.3	16.7	19.4	21.9
Development generally encouraged	33.3	40.0	66.7	64.5	56.3
CPD includes hours or % of ethics training	0	46.7	16.7	16.1	21.9
Total % response	100.0	100.0	100.0	100.0	100.0

In order to gain a better understanding of how member bodies support their members to undertake ethical development activities, respondents to Survey 1 were asked to indicate, through a scale of 1 (not required), 2 (encouraged) and 3 (compulsory), how they supported various initiatives of ethics training at post-qualification level. Table 4.14 shows the percentages of the member bodies in each geographical region in terms of aspects of ethic education that were compulsory or which they encouraged participation by members. As indicated, there was no compulsory activity in the Americas region, while Europe has a relatively significant proportion of responding member bodies (16%) indicated compulsory activities.

Table 4.14: Ethics activities supported by member bodies at post qualification level – by geographic region (% response)

Ethics activity	Geographic Region							
	Americas		Asia/Pacific		MAS		Europe	
	C*	E**	C	E	C	E	C	E
Undertake ethics courses	-	71	13	60	10	40	16	58
Review ethics articles in journals	-	57	-	60	18	64	16	74
Participate in ethics discussions	-	57	-	80	9	46	3	71
Access online ethics materials	-	71	7	47	-	36	13	61
Apply for sponsorships for ethics research	-	14	-	28	-	18	3	20

* C = compulsory; **E = encouraged.

While there are variations in CPD offerings in ethics by the member bodies, there was a general consensus that ethics development and training is important. With the aim of identifying the more significant ethical issues faced by professional accountants, and thus assessing the need for those topics to be included in CPD, the researchers sought views on the perceived likelihood of occurrence of different ethical issues in professional practices, business entities and the government and not-for-profit sectors, which were discussed in Chapter 2. The responses to these questions help to evaluate the relevance of CPD topics. After considering the impact of various ethical issues, responding member bodies reported on their perceived importance of various topics for CPD in fostering professional values, ethics and attitudes in accountants. The levels of

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importance identified were ‘not important’ (1); ‘of some importance’ (2); ‘important’ (3); and ‘very important’ (4).

The most important topic rated by member bodies in all regions was ‘issues of conflict of interest, such as self interest and self review threats’. This is reflected in the overall mean response of 3.6 for this topic as shown in Table 4.15. Overall most of these issues were rated in the ‘important’ to ‘very important’ range.

Table 4.15: Importance of CPD topics for member bodies in fostering ethics in accountants – by geographic region

Ethics topic fostering professional values, ethics and attitudes	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Issues of conflict of interest, e.g. self interest and self review threats	3.6	3.6	3.8	3.4	3.6
Issues of ethical threats and safeguards	3.9	3.5	3.2	3.4	3.4
Earnings management issues	3.3	3.1	2.8	3.0	3.0
Issues of technical competency and judgment	3.1	3.3	3.4	3.2	3.2
Ethical decision-making skills	3.7	3.6	3.4	3.4	3.5
Forensic accounting and auditing	2.7	3.0	2.8	2.7	2.8
Whistleblowing issues	2.6	2.8	3.1	2.8	2.8

However, when comparing regions, Survey 2 shows some slightly differing views of individuals from those indicated by member bodies. For example, comparing The results in Tables 4.15 and 4.16, there were differences for the Americas region for topics such as issues of ethical threats and safeguards and whistle-blowing, and differences in the European region for matters concerning technical competency and whistle-blowing. In summary though, both surveys show that ethics education in CPD is important.

Table 4.16 : Importance of CPD topics for professional/industry respondents in fostering ethics in accountants – by geographic region

Ethics topic fostering professional values, ethics and attitudes	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Issues of conflict of interest, e.g. self interest & self review threats	3.5	3.5	3.6	3.6	3.5
Issues of ethical threats and safeguards	3.4	3.3	3.3	3.3	3.3
Earnings management issues	3.4	3.2	3.0	2.9	3.3
Issues of technical competency and judgment	2.8	3.2	3.2	2.9	3.0
Ethical decision-making skills	3.4	3.5	3.6	3.4	3.4
Forensic accounting and auditing	2.9	2.8	3.1	2.6	2.8
Whistle-blowing of accounting irregularities	3.0	3.2	3.3	3.1	3.1

Research findings: views of stakeholders

The views of those who were interviewed or were participants of focus groups regarding ethics within pre- and post-qualifying programs are described in this section. At the pre-qualifying level of education and specifically at university education level, there was considerable emphasis on developing ethical behavior. The feedback suggested that a stronger emphasis needs to be placed on ethics education, even if it is at the expense of technical training. Others felt that ethics education at the pre-qualifying level was so important that learners needed to gain an appreciation that ethical behavior has significant social and moral implications for society and that accountants have the opportunity to become role models for other business groups in ethical behavior. The following quotes illustrate these points:

“(Pre-qualifying programs) should be where a really strong understanding of the principles that govern morality and of basic information and including the critical aspect. I think globally we are now grappling with effectively the reality of cultural diversity. That can be laid down in some real depth there... And why does important professional and business succeed in the long term. So an emphasis on foundations, strong foundations at the pre-qualifying level.” [academic/ethics expert – Europe]

“We have to teach the students that accounting decisions, auditing decisions have big consequences in terms of economic consequences, not only on the stakeholders, the firm but also the society at large. The social system, economic system, political system; so this is an ethical issue”

[academic/ethics expert – MAS]

“I think accountants should be those professionals who should help the business community to become more ethical. We are the people who actually play a more active role in educating the business community.” [professional body/regulatory body - Asia Pacific]

Several participants expressed a view that CPD was an important element in any planned ethics education program. Further support for CPD was related to the lack of a strong ethical component in existing pre-qualification courses.

“Given that it’s critical for the accounting profession to maintain the confidence of the business and other communities, there will be several pillars of that which will be essential for that confidence to be maintained. Ethical behavior in my view is one of them. If that statement is correct, then the exhibition of ethical behavior by accountants will be essential and if following that one step further, then CPD ethics would need to be part of the essential core of all accountants in order to participate in that profession” [practitioner/industry – Asia Pacific.]

“In the context of CPD it would be good to really engage with the membership so that they could use the ethical issues to address circumstances that they actually met in practice and because it’s all very well teaching ethics in the classroom but very few of our students would have actually had a practical application in an accounting environment. But with CPD of course and with the current corporate crashes because of unethical behavior, I’m getting the members to actually address issues that they deal with on a day to day basis in the workplace, hopefully that might bring it more home to them than being

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given advice as to how they could address these problems on a daily basis.”
[academic/ethics expert - Asia Pacific]

“That is something that could be suggested. I’d support ethics in CPD. I would even go one step further than that. Compulsory (ethics) within your 120 hours in 3 years or whatever the requirements are, that you would have to do a minimum of say 20 or 30 hours in ethics..” [professional/industry – Asia Pacific]

“..most of us think that moral fitness has to be worked at. It can’t just be assumed. I think we all have good intentions and we all basically, or most of us are, honorable people, but I think an expertise to do that does add value to it and does promote competence in my view. Provided it is not again lost in theory or dull or seen not to be relevant.”
[academic/ethics expert – MAS]

“..as ethical leadership, and that means not only do you know what is right and wrong, not only can you translate it to the business world, ..you have this ethical leadership, ..you know how to be a leader. You can help others be ethical; you can teach the people in your organization for example. If you have a CEO who knows how to view others with ethical leadership, that person is going to be a really great leader.” [academic/ethics expert – Americas]

Others have also pointed out the professional values centered on ‘knowledge’ and ‘competence’. Ethics was viewed as the key aspect of competence and should be learned in CPD as a necessary aspect of learning new skills under a changing environment.

“... because as you go throughout your professional life, you see a lot of things you didn’t even envisage when you were qualifying in the first place. I mean you see real world power. It is easy to be ethical in the laboratory where there is nothing at stake and so CPD ought to focus on some more second level translation kinds of stuff - the new issues, and it ought to focus on courage and leadership. I think you can’t ever get too much ethics and so certainly there ought to be some of that. And as we teach new topics, as somebody studies advanced tax in CPD or some new standards or whatever, there ought to be some ethics embedded in that stuff. That’s what I think.” [academic/ethics expert – Americas]

“If we are interpreting ethics as a general accepted business behavior then it can be taught and because different people even within the same culture may have different views over time as to what is essential and what is not. And also what in fact is acceptable does in itself can change over time. Then I go back to my earlier proposition that if the accounting profession is to retain the confidence, the contemporary confidence of the community, accountants need to have contemporary knowledge of ethical business behavior and it might well be a compulsory core of a continuing CPD program.”
[practitioner/industry -Asia Pacific]

There was also evidence that the working environment has the potential to significantly influence the ethical development of individuals, thus making CPD a vital component of ethics education at the post-qualification level. CPD is seen as a means of development for ethical leadership. In particular, there was a view that CPD was important for mid-career people who had responsible

managerial positions with the potential to influence the behavior of more junior staff as well as clients.

“..So I would differentiate the two phases (pre- and post-qualifying) mainly in terms of the building of strong, well presented foundations and the understanding of moral practice and ethical practice at pre-qualifying level, to a much more professionally engaged mode to dealing with the sorts of issues that come up in practice thereafter. And then just to briefly to add...that is I think it is very important in my view that when we are talking about ethics development in the profession itself which we have to in my view understand that senior partners in the firms, and other workplace situations, the executive level people, have an absolutely critical part to play here. If trainees coming into the firms or workplace situations see a luke-warm or not interested type of attitude from the top, it can undermine just about everything else. So a key part of a comprehensive program in my view would be for inputs to be developed that are aimed at very senior members in the profession and at developing ways in which they can show their commitment. And leadership ethics is a very very important part of that. There is a generic discipline of leadership ethics as you know. And much of that would be very very appropriate here in my own view.” [academic/ethics expert – MAS]

Summary

The overall objective of this chapter was to examine the current and perceived good practice in relation to ethics education and to relate these practices to the responses of IFAC member bodies and other research findings based on surveys and interviews. It is evident from the literature that curriculum change is generally an evolutionary rather than revolutionary process and while there is growing evidence of business schools and IFAC member bodies responding to the call for greater ethics coverage in their programs, much still remains to be done. It is noteworthy, however, that IFAC member bodies who responded to Survey 1 expressed very strongly the view that ethics education is necessary to:

- develop a sense of ethical responsibility for future accountants;
- improve the moral standards and attitudes of future accountants;
- develop the problem solving skills that have ethical implications; and to
- develop a sense of professional responsibility.

The member bodies also agreed that ethics education should achieve the objectives of sensitizing and deepening accountants’ understanding of ethical issues, and in developing a knowledge and understanding of the Code of Ethics. Ethics education is also seen to be important as a means of responding to the public calls for greater ethics awareness.

Survey 1 considered current practice by examining the member bodies’ qualification systems, ethics policies and requirements at entry and pre-qualifying levels, and identifies the extent of ethics education and development embedded within the current programs. In summary, the state of ethics education and development in the current pre-qualifying programs of IFAC member bodies can be described as follows:

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- Pre-qualification systems of IFAC member bodies are diverse. Ethics education and development tends to be integrated within the pre-qualification programs, albeit most were not extensive but at the 10% content level.
- The extent of ethics education appears to be dependent on the ‘space’ it constitutes in pre-qualifying programs. Ethical concepts are more liberally covered where ethics is more than 10% of the pre-qualifying programs. On the other hand, most member bodies tend to focus on the code and issues directly related to financial services.
- Most member bodies and other ethics education experts and accountants were in agreement with respect to the objectives of ethics education.
- A comparison of the perceptions of individuals responding to Survey 2 and the practices of IFAC member bodies regarding ethics education in pre-qualifying programs (as indicated by Survey 1) shows that there are some areas of differences, although this is mainly in terms of the extensiveness of the coverage of particular areas.

Individuals who responded to Survey 2 regarding the objectives of ethics education at post-qualifying level felt most strongly that ethics education at post-qualifying levels would enable accountants to achieve the following objectives, namely:

- to support and deepen accountants’ understanding of professionalism and develop skills in ethical judgment;
- to help accountants manage and withstand ethical dilemmas and to maintain their ethical standards and attitudes;
- to reinforce practice consistent with the professional code and to help accountants choose ethical priorities; and
- to regain public confidence in accounting and to appreciate the importance of learning ethical conduct in the workplace.

Member bodies were asked to indicate how ethics education was incorporated within their CPD programs. It appears from the survey data that many professional bodies have been relatively conservative in their approach on this matter. The most frequent response is that ethics development is ‘generally encouraged only’. While there are variations in CPD offerings in ethics by the member bodies, there was a general consensus that ethics development and training is important and are number of significant ethical issues faced by professional accountants were identified. These include issues of conflicts of interest, ethical threats and safeguards and issues surrounding earnings management.

Chapter 5: Developing a Framework Approach for the Delivery of Ethics Education

The research findings of the project as discussed in Chapters 2 to 4 have been reported based on the literature and empirical evidence. From Chapter 5 onwards, the researchers will draw upon previous discussions and their observations, to identify an appropriate approach to ethics education for IFAC member bodies. In so doing, the researchers also take into consideration the cultural and other environmental factors, including the practice of the member bodies in various regions.

This Chapter draws upon the empirical evidence discussed in the previous chapters and looks at the application of ethics education in academic study, with a view to arriving at a flexible framework for the delivery of ethics education (discussed in Chapter 6). Current good practice research to the approaches of ethics education, is examined, together with the issues highlighted from literature and the present study regarding delivery, setting the right objectives, methods of learning ethics, who should teach ethics, etc. Following the analysis of ethics education applications, this Chapter offers recommendations for a composite flexible framework approach. In addition, the researchers provide an overview of the proposed International Education Guideline to support the recommended approach.

The structure of the discussion in this Chapter is as follows:

- The first section provides the researchers' overview of the project findings.
- The second section looks at different approaches to ethics education and reviews strengths and weaknesses of the current models employed by member bodies.
- The third section determines the appropriate objectives of ethics education in accounting programs, with an analysis of good practice research.
- The issues of teaching and learning ethics are examined in the fourth section, including appropriate delivery methods etc.
- The fifth section reflects on the ways and means for effective impact with ethics education.

An overview of the project findings

There are some very important and interesting findings from the present study. Both IFAC member bodies and individuals worldwide were in agreement regarding the following aspects of ethics education:

- Ethical standards of individuals can be changed and are subject to influences including educational intervention. It was also agreed that the fear of upsetting religious and cultural sensitivities is not an appropriate reason to avoid teaching ethics.
- Ethics education should be a life-long learning exercise and it should be introduced as a compulsory part of a broader program to develop accountants' professional values, ethics and attitudes;
- Good ethics education requires learners to think critically before making decisions with ethical implications.

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- Ethics should be learned as part of the pre-qualifying programs and that ethics should be a dedicated unit and also integrated within other parts of learning.
- Professional accounting bodies have a significant role in ethics education. The nature of such education should be prescribed within pre-qualifying programs and also form a key required aspect of CPD programs. Professional bodies should engage with their memberships so that members can further develop their knowledge and skills to address circumstances that they typically meet in business and professional practices.
- In terms of Continuing Professional Development (CPD), ethics training has not been prevalent in most countries. It was generally agreed from the present study that the objectives for ethics development in CPD programs are to support and deepen accountants' understanding of professionalism and to develop the required skills to manage ethical dilemmas and arrive at ethical judgments.
- Ethics training in CPD should be a required element that develops ethical leadership in accountants and enables them to translate ethics into the business world. Many participants felt that ethics training should be a key aspect of competence and should be learned in CPD programs as a necessary aspect of learning new skills under changing environments. Ethics education is also important for mid-career people in responsible managerial positions.
- There was strong agreement that conflicts of interests, ethical decision-making skills, issues of ethical threats and safeguards, earnings management and issues of technical competence and judgments are key topics to be incorporated within CPD programs.
- Key ethical threats include conflict of interests and earnings management issues.

However, the types of ethics education currently applied within pre- and post-qualifying programs were found to be quite diverse. The amount of training was generally insignificant as a majority of member bodies only incorporated ethics within less than 10% of their pre-qualifying programs. Ethics education typically focused on the code and issues directly related to financial services. Education in the fundamental knowledge needed to develop the intellectual underpinning of ethics appears to be lacking in the formal education process for accounting trainees.

There were also mixed perceptions regarding whether there was a lack of qualified or specifically trained ethics educators in accounting. Accounting academics generally lacked the enthusiasm to teach ethics due to the lack of opportunities and incentives. Some also believed that there were insufficient resources and guidance to teach ethics.

The above discussion shows that respondents generally believe in the importance and necessity of ethics education but were less certain regarding the means and the methods of delivery. Due to the lack of ethics training in the past, many respondents look to their professional bodies (and IFAC) for more guidance and structure. In the following section, we shall examine the different approaches to ethics education in an attempt to develop an appropriate framework for IFAC member bodies. The research findings and literature are also considered in developing the framework.

Approaches to ethics education

Ethics interventions are deliberate attempts designed to promote moral judgment development. Interventions may take one of two forms: the 'discrete method' of ethics intervention addresses ethical issues in a separate required or elective course; and the 'pervasive method' of ethics intervention integrates ethical issues into several accounting courses (Thompson et al., 1992; Schoenfeldt et al., 1991). The following discussion examines the strengths and weaknesses of each type of approach to ethics education.

The Discrete Method of Intervention

The discrete method is where ethics is learned as a separate area of study. It may be learned through a separate required course of study or a separate but optional course of study. Each of these is discussed below.

A separate required course in ethics

Grimstad (1964) claims that a separate required course in accounting ethics is difficult to justify, as new courses should be added to the curriculum only when there is ample demonstration of need. The change from a self-regulatory to a co-regulatory regime, the perceived decline of accounting ethics, and the re-examination of how the accountant is fundamentally valued (as discussed by one of the interviewees in Chapter 3) are all catalysts for a review of the curriculum. Sims and Sims (1991) argue that undergraduate accounting students should have at least one well-organized, reasonably long course in accounting ethics. Otherwise, they will not be able to grasp the seriousness and complexity of analyzing and solving ethical problems. A discrete course in ethics will also signal an institution's commitment to the importance of ethics education (Kaye, 1990). Interestingly, Eynon et al. (1996) found that the majority of accounting students supported business ethics as a required course in the accounting program. The students who did not support ethics in the accounting curriculum had significantly lower ethical reasoning than students who did support ethics programs. It may be concluded that those who support ethics education perhaps need it the least.

The benefits of a single compulsory course according to Piper et al. (1993) are:

- it is administratively easy, requiring little more than the presence of several ethics specialists;
- ethical issues would be at the centre of discussion rather than an intermittent add-on;
- students would be presented with a reasoning process that might be used in other courses;
- a compulsory course would clearly signal the importance the institution assigns to ethics; and
- it provides staff with the opportunity for involvement in ethics education.

Timing

Regarding the timing of a separate ethics subject, Pamental (1989) argues that students' ability to deal with ethical case studies in class is hindered if they lack sufficient prior education and training in business. A capstone course would attract a more mature and knowledgeable student to deal effectively with class material. Entry level candidates have minimal knowledge of the functional aspects of business and it is unlikely they would be able to deal effectively with the

material in an ethics course (Owens, 1983). Therefore, any expectation of raising the ethical sensitivity of entry level candidates will be unrealistic (McDonald and Donleavy, 1995).

Hosmer (1988) recommends that ethics should be introduced early in the study program. Positioning ethics in the early stages is critical to convey the importance of ethics and to ensure the means of ethical analysis are available to address moral problems in subsequent courses. Similarly, Bok (1988) is of the view that the first few weeks a student spends at university is critical in shaping their attitude toward their learning. PricewaterhouseCoopers (2003) suggest that the first course in accounting is important to understanding the importance of accounting to business and related responsibilities — “to some extent the future shape of the profession is outlined by the impact of the student’s first experience in the discipline” (2003, p.7).

A separate optional course in ethics

An educational objective that relies primarily on optional courses is arguably inadequate in three aspects. It may suffer from a self-selection bias (Piper et al., 1993); be offered only at the latter stages of a program resulting in limited impact on individuals; and it may convey the message that being ethical is an option (Gandz and Hayes, 1988). Therefore, the researchers believe that ethics should be built into a flexible learning program that teaches ethics using either the discrete or the pervasive methods of intervention.

The Pervasive Method of Intervention

Ethics education integrated

It is arguable that learning ethics as a discrete subject may diminish the appearance of relevance of the topic to accounting candidates, especially if the materials used are either overly theoretical or overly simplistic. Ethical threats arise in all functional areas of professional responsibility and should be addressed in respective areas of study. An integrated approach emphasizes ethics as an integral part of the daily life and experience of the business student. In accounting, ethics is commonly integrated in the Auditing program with discussion often restricted to the principles of the code of conduct. This scenario was also evidenced in the research findings. If ethics was integrated within pre-qualifying programs, it was also found in this study that it was confined to the Code and matters directly related to financial services. Ethics education in auditing is discussed in more detail below. However, one limitation with integrating ethics throughout the curriculum is that it requires almost all educators in the program to understand and teach ethical issues in their respective areas of knowledge, whereas teaching ethics in one dedicated subject reduces the difficulty of training a large number of teachers.

Ethics integration in auditing

Generally, the coverage of ethics in accounting is minimal with the exception of Auditing (Cohen and Pant, 1989; Armstrong and Mintz, 1989). Member bodies of IFAC claimed that ethics coverage comprised approximately 10% in their pre-qualifying programs. Matters of independence, client relationships and professional competence fit naturally in the context of Auditing. However, as stated above, ethics in Auditing courses is unlikely to receive adequate attention when 1.5 to 4 hours per semester is dedicated to teaching professional ethics (Engle and Elam, 1985; Cooke et al., 1987-1988; McNair and Milam, 1993). When ethics is taught in Auditing courses, ethical issues are often limited to an abstract discussion of the profession’s code of conduct (Cooke et al., 1987-1988; Langenderfer and Rockness, 1989; Kerr and Smith,

1995). Thus, an auditing instructor might discuss the general purpose and content of the code of conduct with little reference to examples of specific behavior of an accountant confronted with ethical dilemmas on the job. Learners may tend to memorize aspects of the code without discursive analysis, limiting their understanding of the issues involved (Power, 1991). Learning the code emphasizes conformance to regulations, rather than developing an appreciation of ethical issues and ethical behavior (Power, 1991). This approach to ethics education in accounting can leave students with the view that the code is all there is to ethical decision-making. Educators may teach the code as an end in itself rather than a means of understanding professional responsibilities (Armstrong et al., 2003). Ethics discussions should focus on issues of moral right and wrong and examine how moral standards apply to business and accounting institutions, policies and behavior, not just concentrate on regulations (Langenderfer and Rockness, 1989).

The combined approach

Some proponents of ethics education are calling for the ‘sandwich’ approach to teaching ethics (Armstrong, 1993). The sandwich approach contains an introduction to ethical thought early in a pre-qualifying program, followed by ethical discussion in various accounting subjects, culminating in a dedicated capstone subject that would tie together previous ethics material. Hildebeitel and Jones (1991) argue that accounting programs that require only a single course in business ethics arguably provide insufficient ethics training. The success of ethics education can rely on a sustained discussion by learners and instructors (Piper et al., 1993). There is therefore a need for a broad program that includes three elements: a compulsory foundation subject, an optional subject and integration of issues across existing subjects. Each element provides distinctive and important benefits that will not be fully achieved if implemented in isolation. It is important to encourage instructors in a variety of programs to discuss ethical issues arising naturally from the subject matter.

The sandwich approach emphasizes that ethics is not a specialized topic confined to its own separate world, but a course of study that is relevant to all aspects of professional life. Ideally, both a dedicated course and the opportunity to discuss issues as they emerge in other courses is preferable. Additionally, the temporal effects of ethics education on ethical sensitivity (Arlow and Ulrich, 1985, 1980; Welton et al, 1994, La Grone et al., 1996) could be negated by prolonged exposure to ethics education rather than a single course. The three approaches to ethics education (required separate course, optional separate course and integration) complement one another, as depicted in Table 5.1.

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Table 5.1: Comparison of approaches to ethics education

COMPULSORY SUBJECT

Strengths	Potential negatives	Neutralization
Simple administration	Seen as 'the ethics course'.	Encourage discussion of leadership, ethics, and corporate responsibility in all first year courses. Clear objectives set.
Ensures focus	Failure to discuss issues as they arise across all courses may feed cynicism	Course to be made relevant with practical examples and cases
Careful teaching of reasoning process.	Become mechanical in decision-making	Emphasize the internalization of reasoning
Strong signal of commitment	Reduce curriculum space for other technical areas	Skill-based learning to avoid rote learning but focus on competency
Energizes student's interest.	Perceived as soft options	Highlight the significance of judgment in accounting and related areas.
Faculty learning opportunity.	Research interest not appreciated	Promotion of ethics education and research

ELECTIVE SUBJECT

Strengths	Potential negatives	Neutralization
Opportunity for advanced study.	Many students do not take the electives.	Include a compulsory course in leadership, ethics, and corporate responsibility at the outset of the program
Source of tested material for use in first year compulsory course.	Because they are usually taken late in the program, electives have limited impact.	Integrate discussion of ethics issues into all first year courses.
Opportunity for specialization	Regarding ethics as an option	Promote interest

INTEGRATION WITH EXISTING SUBJECTS

Strengths	Potential negatives	Neutralization
Demonstrates that dilemmas and questions are not isolated problems, but present throughout the organization	Fragmented teaching yields fragmented understanding of the issues and reasoning process; no theoretical underpinning to handle potentiality for change	Include a compulsory course in leadership, ethics, and corporate responsibility at the outset of the MBA program
Prima facie evidence for ethical attention by the profession	Treatment of topics by many instructors tends to be intermittent and superficial	More discussion of cases to appreciate the significance of an ethical framework
Indicates certain interest in managerial decision making process	Often rhetorical approach without substance	

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Views of respondents regarding approaches to ethics education

While there appear to be mixed views on how best to learn ethics, the views expressed by some of the interviewees reinforced a broader approach which encompasses the development of professional values, an appreciation of principles, rules and regulations, and an understanding of ethical decision-making processes. The following quote is relevant.

“..as you probably would be aware in the literature, there’s a debate as to whether education at that stage can have any impact at all. I think that is a naive debate, because it’s always going to depend on the type and nature of the education you are talking about... You have the question of whether ethics education can have any impact. What I would argue is that it can, depending on the nature of the education. Whether that impact is sustained depends again on something else – it might have an impact, but it mightn’t have an impact for 6 months. When the person then goes back and is imbedded within the professional culture within the organization, any impact or effects he’s had, may diminish. I think that if anyone is serious about ethics education, I think it again would be naive to say that it’s something that you can affect on a ten week course. I think It’s got to be seen as something which is a lot broader than that – something which the notion of ethics needs to become more institutionally imbedded both within the culture of the institution and in the programs that maintains...such as ..CPD courses, but even more than that” [academic/ethics expert, Europe]

An analysis of the current practice of ethics education by most member bodies of IFAC shows that a majority of the bodies do not emphasize the learning of ethics in their professional qualification programs (less than 10% of the program). Whilst many member bodies claimed that ethical issues are integrated within the program materials, it is difficult to gauge the extent of likely impact on the candidates’ learning about ethical issues.

Individuals were requested to rate the level of suitability of delivering ethics education with a scale of 1 to 4; most unsuitable (1); unsuitable (2); suitable (3) and most suitable (4). Mean responses are recorded in Table 5.2. Individuals in most regions were in favor of having ethics materials integrated in both pre- and post-qualifying programs, and also favored a separate and required ethics subject in the pre-qualifying programs. However in the case of Europe, there is a strong preference for ethics materials to be integrated and an indication that a separate but optional ethics subject in pre-qualifying programs is considered unsuitable.

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Table 5.2: Mean response suitability of delivery methods for ethics education –geographic region (Survey 2 respondents)

Ethics education delivery method	Geographic Region				Overall Mean
	Americas	Asia/Pacific	MAS	Europe	
Separate and required subject – pre-qualifying program	3.3	3.4	3.4	2.9	3.3
Separate but optional subject in pre-qualifying program	2.2	2.3	2.2	1.9	2.2
Ethics material integrated in pre and post qualifying levels	3.5	3.6	3.6	3.8	3.5
Ethics should be learned using:					
• Hypothetical case study analysis	3.3	3.6	3.3	3.0	3.3
• Role Plays	3.1	3.3	2.9	3.0	3.1
• Analysis of corporate cases and investigative reports	3.6	3.8	3.6	3.9	3.7
• Disciplinary proceedings reports & Codes of ethics	3.0	2.9	3.5	2.9	3.0
• Mentoring and self learning systems	3.0	2.8	2.8	2.6	2.9
• Discussion of philosophical issues in life	2.8	2.9	2.8	2.9	2.8
• Use of experts including clergy and professionals	2.8	3.0	3.1	3.1	2.9
• Video training using actual fraud cases	3.0	3.5	3.4	3.1	3.2
• Writing reflective journals	2.5	2.8	2.8	2.4	2.6

Associated with integrating ethics into the curriculum is the issue of resourcing the integration. Participants indicated that there were often varying levels of quality in the delivery of ethics and, in fact, in integrated approaches it is more difficult to monitor the incorporation of ethics in the curriculum.

“If we wanted to have ethics it would have to be that you had the specified lecturer who goes in and does a few lectures in tax or audit or in the various courses so you know that it is being incorporated and integrated. I think you would have to know all these theoretical underpinnings, which most lecturers don’t know, so you would need a specialized person. If you were going to integrate it they would have to do some of the lectures within those courses, or else you would have to do it as a separate course”

Those who favored the provision of an integrated approach also appreciated the need for a basic education in ethical concepts, broadly in terms of the relationships between accounting, business and society.

Overall, interviewees indicated that there should be a specific unit on ethics education in business-related courses introduced early in the program. After this base level of education, interviewees generally recommended that ethics education was suited to an integrated approach

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at all other levels of education within the pre qualifying stage. Several interviewees indicated that by having a first unit in ethics that explored ethical theories and frameworks with the context of accounting, it provided a strong base for further integrated approaches to studies of ethics in accounting. The quotes below, from accounting academics, illustrate this view.

“I think you could have a course [ethics].....at the beginning. And that could be a course that is basically showing the student that there is power in numbers and the relationship between the decisions made from the accounting report that could impact people. So they need to understand that there are consequences to business and to people and to society as a whole by making choices in accounting. And that should be the beginning and that should be their first experience after starting a university program.” [academic/ethics expert – Americas]

“..you would want to have a basic foundation course which introduces you to critical thinking. It is not Philosophy 101, but just some basic ethical concepts. You would also then want to have elements throughout and across the curriculum in which you considered: “What are the ethical implications of what you are doing?” That is going to cause a small earthquake within the universities because many of the academics who teach tax or finance are themselves not able to deal with these things and don’t want to have to do it. And it is a much easier world for them if they are able to put ethics in a ghetto and hope that it doesn’t begin to breed, because that is a new piece of skill and learning which makes their lives more complicated than perhaps they would like them to be.” [academic/ethics expert – Asia Pacific]

Typically, the type of course content that would be advantageous to incorporate in early courses was linked to actual corporate cases and, where appropriate, linked to the local environment.

“I think it would be helpful if at the early stages, if students were given an insight into the political and ethical nature of accounting and business studies.” [academic/ethics expert - Europe]

In terms of integrating ethics education throughout university courses, the evidence indicates that interviewees were generally in favor of integrating ethics into the curriculum at more advanced levels within pre qualifying education. The one reservation expressed about the integration of ethics was the issue of overcrowding the curriculum. For example, one respondent stated the following.

“ if you look at the other professions like law and medicine, and everything else, they require their students to have a degree before they’re allowed to even start training, and I think ... the trouble is in three years, the students have to learn so much, that really, I don’t think there is enough time to do all these sensitizing and other [technical] things.” [academic/ethics expert – Europe]

Setting the goals and objectives of learning ethics

Following a thorough analysis of the literature, we summarize below four key goals of learning ethics: establishing the intellectual background to understand ethical positions; developing ethical sensitivity; developing ethical competence and skills; and translating into ethical behavior.

Establishing the intellectual background to understand ethical positions

The first common goal which has been identified by the literature is that ethics education enables learners to achieve a wider understanding and appreciation of the role of accounting, including the responsibilities that professions have to the wider society. Accountants must understand the political, economic and social implications of the accounting profession and the structural issues which impinge upon ethical decision-making (McPhail, 2001) and have a sense of moral obligation towards society (Callahan, 1980). McPhail also referred to the 'emotional intelligence' that one must cultivate in order to be a competent accountant working effectively in society. Jones (1988-89) refers to this as the intellectual fortification – a well designed ethics education program gives the learners the rationale and vocabulary to take and defend ethical positions. Gandz and Hayes (1988) also believe that ethics education should aim to provide accounting trainees with a conceptual framework for analyzing ethical components, so that individuals become confident in their use.

Developing ethical sensitivity

Empirical evidence suggests that, on average, accountants' ethical awareness is close to an amoral position (Fleming, 1996). Some individuals may fail to act morally, simply because they are unaware of the ethical problems that lie hidden in a situation. By sharpening moral sensitivity, one can avoid ethical pitfalls (Sims and Sims, 1991). Developing ethical sensitivity is important (Callahan 1980) because the ability to make ethical judgments, and to behave ethically, presupposes the accountant's ability to recognize an ethical issue when it arises (Shaub et al., 1993). It is unlikely that individuals are without ethical values. Rather, they are deficient in tools of ethical analysis which allow them to reconcile their responsibilities as managers and individuals (Gandz and Hayes, 1988). Ethics education will enable learners to more readily identify predicaments, which they must then resolve (Bok 1976).

Developing ethical competence and skills

This aspect of ethical competence and skills is often overlooked amongst the series of technical matters which one needs to learn to become an accountant. The literature has identified the necessary ethical skills and competence which underpin an accountant's working life and support his/her role as a professional. Ethics education provides the opportunity to develop:

- critical thinking regarding values which can stimulate moral imagination and develop an understanding of situations and contexts in order to make informed decisions (Konrad 1978; Callahan, 1980);
- ethical reasoning skills and competence in arriving at responsible judgment and choices (Armstrong, 1993, Blasi 1980; Rest, 1986b; Weber, 1990b; Shenkir, 1990; Jennings, 2004);
- empathy and appreciation of contexts and different societal norms (McPhail, 2001);

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- an internalized analytical system to deal with, and manage, ethical threats and dilemmas (Callahan, 1980; Cook and Ryan, 1989);
- the conflict resolution skills necessary to contribute to the establishment and maintenance of an ethical framework within individuals and an ethical environment within organizations (Callahan, 1980; Hanson, 1987; McDonald and Donleavy, 1995; McPhail, 2001; Jennings 2004), so that ethical components are an integral part of managerial decision-making (Gandz and Hayes, 1988).

Translating into ethical behavior

Finally, ethics education should be designed in a way which enables learners to relate accounting education to moral issues and to develop the abilities needed to deal with uncertainties – ‘potentiality for change’. Loeb (1988) believes that ethics education sets the scene for individuals to appreciate all aspects of accounting ethics and prepare one for handling complicated situations. Although ethics education should not aim to ‘convert’ a person into a ‘virtuous human being’, a person’s value system is not static and is subject to continued modification through emotional, behavioral and cognitive interventions and ethical behavioral changes that may occur throughout a person’s entire educational experience (Kohlberg, 1969 and 1971; Rest 1986b; Shenkir, 1990).

Goals of ethics education as perceived by respondents

With respect to ethics education at pre-qualifying level, respondents from Survey 2 (that is, stakeholders other than member bodies) agreed on the following objectives in order of agreement:

- Strongly agreed objectives were: to develop the ethical responsibility in accountants; to improve ethical standards and attitudes; to sensitize them to an understanding of ethical issues in accounting; to appreciate the importance of applying strong ethical values as accountants; and to develop resolution skills in dealing with ethical dilemmas.
- Other objectives which were less strongly agreed with were: to develop knowledge and understanding of ethics and ethical codes; to develop an ability to face ethical dilemmas in simulated environments; and to develop an appreciation for life-long learning in ethics.

Many of the goals described above are supported by the project findings, especially from the interviewees and focus group members. In analyzing the respondents’ qualitative comments, four recurring themes emerged from the data as key objectives in the areas of:

- (a) learning basic values;
- (b) teaching ethics at university;
- (c) teaching ethics in post graduate programs; and
- (d) instilling lifelong professional skills.

Teaching basic values

Participants consistently reiterated that the role of the educator is to further develop basic ethical values initially provided by the family, religious and/or social environment. Ideally, the role of the educator was seen as developing ethical ideas in such a way that they become second nature

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to the accounting practitioner by building on a foundational core set of values. The extract below illustrates this view:

“...you can sensitize people, raise their awareness of the issues. I don’t believe you can change the inner core of a person’s morals and their moral beliefs. I think what you can change is their behavior.” [academic/ethics expert – Europe].

Similarly, an interviewee from the Asia Pacific region stated that ethics education should reinforce existing ethical knowledge.

“I wouldn’t say changing values because to some people it may already be there or it may not. But I think the basic values must be second nature, it must be part of who and what they are.” [practitioner/industry - Asia Pacific].

Objectives in teaching ethics to undergraduate students at university

Undergraduate studies were viewed by several participants as an appropriate area where ethical values and knowledge of professional standards could be instilled and as such, enable ethical values to become internalized by accounting students. It was also acknowledged that at this level of study, the ethics objectives need to be translated into assessable objectives. For instance:

“The objective is to give students some knowledge, and I think that one of the issues that is sometimes raised is how do you examine ethics, how do you examine an ethics course? I think in terms of examinable objectives we are trying to build students knowledge about ethics, and there is a whole lot of skills and abilities there that I think you can measure and assess in the same way..” [academic/ethics expert – Europe].

Postgraduate and continuing education

At the postgraduate level of study, participants felt that the objectives of ethics education should be to reinforce principles previously taught, with particular relevance to new practitioners confronting ethical issues in the workplace. As part of lifelong learning, the main objective of ethics education should be to encourage a questioning frame of mind that goes beyond complying with rules. A critical objective should be to provide ethics education that enables accountants to make informed judgments in the decision-making process. For example, an interviewee in the Asia Pacific region had the following to say about the objectives of ethics education as part of lifelong learning:

“... the aim of ethics education at the end of the day should be geared in such a way that an accountant thinks ethically as second nature. ...It should be part of their daily thinking. It should not be something that they have to check out the Code of Conduct or the guidelines or by-laws, and say ‘Am I doing something right or am I in breach of this?’ [academic/ethics expert – Asia Pacific].

Some interviewees challenged the black letter law (of the IFAC Education Standards) as guidance in the resolution of ethical issues by practitioners and stated that the objective of ethics education should be to challenge accountants to use interpretative skills.

“Going back to the black lettering, it further highlights the flaws in the IFAC standards that they are lists. There is no reference to learning outcomes, there is no reference to weighting, so unless you change that we are likely to have a continuance in the ethical

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area that we have with all of the others. The learning outcomes have to focus on attitudes if we believe that's what's important. ..., otherwise we will inevitably go through the motions." [practitioner/industry – Europe]

The level of ethical competence was also addressed in terms of the objectives of teaching ethics in accounting. It is also arguable that the objectives of teaching ethics will, in part, be determined by the weighting given to ethical competence by employers when appointing graduates and promoting practicing accountants.

Learning professional values, ethics and attitudes in the workplace

The findings of the present study have also highlighted the importance of ethical leadership in organizations. Many respondents agreed that the lack of organizational and peer support might lead to ethical failures (mean=3.2). We also reported that it was considered important by many respondents that ethical courage is needed to translate ethical values into action (mean=3.4). Respondents to survey 2 also claimed that ethical behavior can only be maintained where leaders model ethical behavior (mean=3.3). A strong view from all respondents was that ethics should be seen as a part of lifelong learning. Hence only a minority of respondents thought that ethics can only be learned in the workplace (mean=1.9). The researchers believe that accountants and trainee accountants should continue learning and developing their professional values, ethics and attitudes while they are in the workplace, both at pre-qualifying and post-qualifying stages. Examples of opinions about the importance of learning ethics at the workplace include ensuring the message comes from the top and that ethics should be practiced as a more wholesome and intrinsic value than in an ad hoc or situational manner.

"... but most importantly we need to begin at the very top end of the profession as well. We do that for two reasons. One because we think that top professionals are not unethical, but they are perhaps not sensitized to some of the issues. It wouldn't get to them early, and what that does is that it shows that the value of these can only be conveyed when we get to the lower level professionals and into the training organizations stage, we have got to buy into the senior people." [practitioner, MAS]

"... People are more situationally honest today than they used to be. There is less modeling of honest behavior, there is less labeling of honest behavior and so people are more situationally honest. That allows for easier rationalization." [academic, Americas]

At the workplace, corporate behavior is learned through formal and informal channels of corporate socialization and through selective association with those organizations which deal with one's employers. According to Peter Pruzan (2001), the learning includes not only the techniques of committing corporate crimes, but also the values associated with their rationalization. Pruzan proposed that a framework of shared competency can address the question of organizational consciousness and corporate values and virtues developed.

Accounting graduates from universities or accounting trainees in the process of gaining their pre-qualification experience, learn professional values, ethics and attitudes in the workplace through observation of the conduct of their peers and supervisors. They observe organizational practices and the cultural norms within the organizations. In fact, learning ethics in the workplace is as important as learning ethics in educational environments. Wood (2002) advocated a partnership model of corporate ethics which draws individuals, managers and stakeholders together in an

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integrative model of ethics development. Mellema (2003) also highlighted the concept of moral distance. He argued that although the moral responsibility of an individual may be reduced due to the distance or remoteness of that individual in relation to a wrongdoing, there may be a certain degree of 'taint' that affects the perceptions of individuals.

Accounting trainees should be exposed to an ongoing exercise of ethical awareness and to the development of skills of ethical judgment. Respondents to both surveys in the present study emphasized the importance of ethical leadership in the workplace and agreed that corporate and organizational managers should model ethical values and behaviors. The mere reliance of a code of conduct is not sufficient to provide safeguards to different types of ethical threats within organizations.

Accounting trainees in the workplace are typically at the stage of undergoing professional qualifying programs (pre-qualifying programs set by the professional bodies). Therefore it is emphasized that the ethics elements within these pre-qualifying programs must contain adequate levels of practical examples to strengthen concepts. Some member bodies also incorporate group studies, workshops, etc. as part of the pre-qualifying programs to enable learners share their progressive knowledge and experience.

The following features of ethics training in the workplace assist the development and maintenance of professional values, ethics and attitudes:

- Staff engagement in the development and review of the corporate code of ethics and code of conduct so that practices are being examined in respect of ethics threats;
- the communication of ethical principles and exemplification of ethical practices such as fairness, honesty, harmony etc. amongst teams and managers;
- monitoring of the code, including applying disciplinary actions wherever they are warranted and maintaining transparency in ensuring compliance;
- carrying out social audits on ethical and probity standards and compliance;
- incorporating ethics programs and assigning ombudsman (or counselors) and conducting ethics and attitudes workshops; and
- conducting periodical forums to discuss dilemmas and problems, including matters such as confidentiality, corruption, secret commissions, whistle blowing cases and conflict of interest threats.

Although some pre-qualifying programs have included modules in professional ethics, accounting bodies have found it difficult to incorporate ethics assessments within these programs. The difficulties arise from the lack of perceived competence in ethics training and the logistics of monitoring the standards of assessable tasks. Other assessment methods for workplace ethics learning may take the form of:

- Creating databanks of simple case scenarios with a quiz (which can be published in the professional magazines/journals) and requiring pre-qualifying candidates to carry out online tests;

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- a Log-book system where candidates are required to provide journals and notes on particular public domain cases;
- objective testing systems on ethical aspects of the pre-qualifying programs; and
- using case studies and group assignments/workshop to assess candidates' competence of ethical analyses and decision-making skills.

The key aspects of workplace ethics assessment should be considered as an integral part of the entire pre-qualifying or post-qualifying programs. It is important to note that appropriate objectives should be identified for every aspect of the pre- or post-qualifying programs and assessments designed accordingly. Ethics workshops, forums and case studies as part of the pre-qualifying programs are a plausible medium to develop professional values, ethics and attitudes.

Issues regarding delivery and learning ethics

There are a number of issues which have been debated by many academics and practitioners regarding the delivery of ethics education. These issues include: who should teach ethics and how should it be taught; training the educators in accounting ethics; and attitudes in learning and teaching ethics. In this section, we will also discuss some of the delivery methods.

Who should provide ethics education?

According to Carey (1996), ethics education can take one of two approaches. Ethics can be taught as a general course that emphasizes the critical evaluation of philosophy, without regard to specific subject matter relative to the profession. Alternatively, ethics can be taught as an applied course that focuses almost exclusively on the moral problems that arise within the profession. In applied-ethics courses however, there is little time for lengthy examination of competing normative ethical theories. Each of these approaches and the implications for staffing are discussed below.

A general ethics course is grounded in two assumptions. First, is to determine how an individual should behave with roots in religion, philosophy and normative principles of ethics. Second, is an analysis of descriptive or contextual factors which describe the process of influencing behavior. A general ethics course is normally taught by ethicists. While ethicists bring expert knowledge of concepts and theories, they may not appreciate the complexity of a particular discipline such as accounting. Ethics taught by ethicists is likely to be based on a philosophical perspective, which might restrict discussion of ethical issues to a philosophical level rather than a practical and professional level. According to Luoma (1989), learners in ethics courses are frustrated with the lack of relevance to business practice. This approach to ethics education leaves the responsibility for integrating theory with management or business solely on the student (Powers and Vogel, 1980). Learners may fail to grasp the linkage between the philosophical view of ethics and the practical situations that arise in the world of business (Fleming, 1996). Philosophical principles alone, no matter how well they are taught, cannot provide the necessary skills to assist the business manager to deal with ethical dilemmas.

Alternatively, ethics may be taught by business or accounting educators. According to Callahan (1980), there are a number of credible ethics courses being taught by non-ethicists and their success derives in part from their discipline-specific knowledge. Furthermore, credibility is often

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enhanced by the instructors' personal knowledge or practical experience of professional problems.

The problem identified by many authors is that business and accounting educators do not have sufficient training to properly teach ethics (Bok, 1976; Cohen and Pant, 1989; Langenderfer and Rockness, 1989; McQuillen, 1982; Owens, 1983). The lack of appropriately trained or qualified teachers has a number of implications. Owens (1983) suggests that a lack of training would cause teachers to avoid ethics in their courses, or deal with the topic only superficially. Similarly, Hosmer (1988) suggests that business teachers are uncomfortable in discussing ethical issues in the classroom. In these circumstances, educators are likely to concentrate on other aspects of the course material that they feel more comfortable teaching (Sims and Sims, 1991). Some educators may be deterred from teaching ethics due to the anxiety caused by displaying personal values in the classroom and being in a position to justify or defend them (Gandz and Hayes, 1988). Others may not be certain of their moral stances (Langenderfer and Rockness, 1989).

Overall, the lack of training in the methods of ethical analysis means teachers do not know how to bring the discussion to a rational conclusion beyond the expression of personal views (Hosmer, 1988). Dealing with issues when there is little knowledge or a lack of comfort may give students the impression that moral issues are merely an afterthought or digression. Notwithstanding their lack of training, accounting educators believed that they were relatively well qualified to teach ethics (Cohen and Pant, 1989). It was also observed by some respondents that accounting educators, philosophers and other experts should consider co-sourcing an ethics course which covers both the conceptual knowledge and the applied subject matters.

“I think the answer is both of them in combination which I find works very well indeed, and I have seen this now happening in all sorts of applied contexts. On the one hand, ethicist who may or may not be philosophers (they can have religious studies backgrounds as well - it is awareness of cultural diversity that I am getting at), but generally these would be philosophers who understand that we are talking about applied ethics not philosophical ethics here. On the other hand, accounting people who may not be trained in philosophy. There is sort of a two way transfer. So a process whereby teams develop from these two sides and you get highly ethically informed accounting academics and you get practically oriented philosophers, shall we say academic emphasis, I think that is the way to go ahead. Rather than to see these as exclusive, there is some process of learning and educational development required from those who are going to teach this if it is going to be maximally effective. I found that it works quite well that way.

I actually agree because I think that is actually the shared teaching and the team teaching model which is the best way.” [practitioner/industry - MAS]

As educators are being called upon to teach ethics, they will increasingly be looked upon as role models by students (Milton-Smith, 1996). In fact Gray et al. (1994) claim that ethical development and maturity has less to do with ethics education than does the ethical responsibility of the educator to develop higher learning skills of the student. The study of staff perceptions of ethical issues is important because they can greatly influence the moral atmosphere of an institution and moral development of their students (Lawson, 1996). Discussing ethical issues in a value-free way is difficult and to counter the effects of indoctrination, educators should offer

several perspectives on an issue rather than one single view. A reasoned view opposite to that held by the educators is also an appropriate response.

Dealing with ambiguity

The process of ethical decision-making is not simply a choice between two dichotomous alternatives, but a choice from a number of alternatives, each representing mixed benefits and harms that have personal and organizational implications with an uncertain probability of occurrence (Hosmer, 1985). The inability to provide satisfactory moral conclusions may confuse learners, because questions of morality can be unanswerable, thus promoting a cynical attitude about ethics. The claim that ethics is too abstract to be communicated to learners is not one that is supported by Cooke and Ryan (1989). The problem of ambiguity is present in many courses and is not exclusive to ethics. Moreover, the presence of ambiguity enhances the need for learners for evaluative training, in order to give a clearer insight into the problem by identifying the key elements bearing on the dilemma and prediction of likely outcomes (McDonald and Donleavy, 1995). By learning to analyze ethical dilemmas, learners will realize that dilemmas do have solutions. While ethical analysis may not give a single right or just answer to an ethical dilemma, it does lead to some answers that can be clearly seen to be more appropriate, or more just than other answers.

The use of case materials

In respect of ways to learn ethics, Survey 2 also shows individuals' preference to use actual or corporate case and investigative reports to analyze ethical issues. Reflective journals were considered less suitable when compared with other methods. Both sets of respondents, that is, member bodies from Survey 1 and those individuals from Survey 2, regard the following assessment methods as suitable:

- case study analyses;
- completion of specific training programs;
- written formal examinations;
- formal presentations;
- completing professional development activities; and
- video cases and analyses.

It is also interesting to note that the two most unsuitable assessment methods identified by respondents were multiple choice or objective testing and completion of workplace competency checklists.

“To be able to get a feel for what their values are; are they the same as, or in tune with, the expectations of a professional organization. On this business of using models and decision making tools, I take the point that it can become very mechanical. I think there is a risk of that, but equally I think students need to learn to have a little bit of a framework to a journey as to how I might begin to go about making a decision, but not to accept that as being the be- all and end-all. The very point you make, the very nature of ethics is the combination of balancing knowledge rules, specific facts in the circumstances, and so

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many other variables that's what ethical this year may be different."
[practitioner/industry – Europe]

Numerous responses identified the importance of case studies as a means of delivering effective ethics education in accounting courses. For instance, the response below illustrates the type of feedback obtained on using case studies in the delivery of courses.

"I think inevitably being an academic subject you have to do the theory bit first or you have to visit the foundations, the theoretical foundations a lot of academic courses are based on. And that would generally be the same worldwide. But you have then to complement that with practical case study relevant to the environment.you have to have case studies that deal with how accountants might interfere with their governments in terms of enforcing or ensuring that there is ethical conduct around. And then the second part ought to be some ethical dilemmas and it ought to be cross issues and what I call the translation of ethics into the business world." [academic/ethics expert – Americas]

Many participants from the Asia Pacific and MAS regions emphasized the relative paucity of local case studies with examples of business and accounting practices relevant to their specific circumstances. There were requests from participants of these two regions for educational and financial support for the development of appropriate case studies to suit the local business environment.

Proponents of ethics education recommend the case study method for learning accounting ethics (Armstrong, 1993) given that the case method is effective for developing ethical awareness and analytical skills. Langenderfer and Rockness (1989) offer a model for ethical analysis (an ethical decision-making model) that can be adopted in the classroom.

Content of courses in professional values, ethics and attitudes

In examining the responses from participants, the researchers sought to identify the type of content that was considered appropriate in ethics courses both at the pre qualifying and post qualification level.

Pre qualifying courses

At the pre-qualifying level, some participants believed that the content should focus on developing the ethical sensitivity of students. Others viewed ethics education as so important, that it should be incorporated in the curriculum from the time accounting education begins, or perhaps even earlier as part of secondary and primary school education. One interviewee highlighted the necessity for the content of ethics education courses to maintain relevance to avoid students "switching off", which can occur if ethics is perceived as less important. The following quote illustrates this view:

"I think that pre-qualifying level is absolutely vital but it is equally vital it is done in an effective way that emphasizes practicality and moral skilling, relevance to the profession, and doesn't get lost in the kind of abstract theorizing that some of us are I think are quite good at." [academic/ethics expert – MAS]

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The importance of a capstone unit at undergraduate level was highlighted by some participants, with some going so far as to suggest that if students did not pass the capstone unit then they should not qualify as an accountant. Participants also expressed a view that if the aim of ethics education should be to develop a reflective practitioner, then there is a need in a foundation course to build some basic ethical skills. These skills were more frequently identified as generic behavioral skills, such as general critical-thinking skills and an awareness of the difference between values and principles as featured in major theoretical frameworks.

Post-qualification courses and programs

Post-qualification ethics education is universally viewed by participants as important, particularly for novice practitioners. It was envisaged that CPD programs should instill a concept of continuous learning in practitioners to ensure that they are equipped to deal with different cultural and business dilemmas they would be likely to confront in their daily work. Additionally, CPD courses were viewed as a means of reinforcing appropriate modes of ethical thought and behavior amongst busy practitioners.

Some professional body participants provided examples of the content that they incorporate in their courses, which they believed promoted ethical behavior in their members. Examples included technical learning packs, workshops, case studies and formal assessment tasks. However, some qualifications were expressed about aspects of the content of courses. Firstly, it was felt that the use of case studies that emphasize ethical failure may result in negative perceptions of the effectiveness of ethics education. Secondly, there were some reservations expressed about the type of content of ethics courses that should be acknowledged. Participants indicated that ethical education failed to impress firms and practitioners with its rigor and relevance. Additionally, in terms of rule-based or principle-based approaches to ethics education, there was little enthusiasm for a strictly prescriptive approach (rule-based). For example, one representative from a member accounting body suggested the following approach:

“...[the way] we teach ethics is really more of experience sharing, giving models and so on and trying to bring it into context, references and it is not an exact science that one can teach or say “These are the sets of accounting rules, you apply them”. There is always a judgment thing.....” [member body – Asia Pacific]

Support was expressed, particularly from member body participants, for the teaching of ethical codes of conduct. Some participants viewed the role of the professional bodies as that of enforcing disciplinary standards on their members. However, some participants had doubts about the capacity of member accounting bodies to manage their members in such a way that they were committed to public service, and as such, they should take much more seriously those who have the capacity to harm the profession.

Assessment methods

Formal assessment is desirable because it holds students responsible for learning the subject material, which in turn motivates students to concentrate on topics for which they will be held accountable. Formal assessment is also important, because anything less than a formal review indicates that the subject material is not immediately relevant, nor is it possibly perceived as an important part of the course. Cohen and Pant (1989) found that a majority of respondents that teach ethics include some form of assessment on ethics, typically exam questions, class

discussion and written assignments. In an assessment of ethics education in the UK accounting profession, Fleming (1996) identified two limitations. First, the proportional weighting attached to ethical matters in the final examinations was relatively low (between 1% and 4%), implying that technical competence remains of paramount importance and ethics remains an optional add-on. Second, current assessment procedures may not be appropriate to test responses to ethical questions and dilemmas, beyond paraphrasing applicable rules and alternative courses of action.

Numerous issues were raised relating to types of assessment tasks, and the perceived difficulty or rigor of assessment of ethics components with accounting programs. Types of assessment tasks that were most frequently quoted were written exams, case studies, completion of reflective journals (log books) and internet forums. Participants overall believed that the traditional examination structure was problematic as a means of assessing the objectives set in teaching ethics at the pre-qualifying stage. One of the problems identified by some participants was the view that ethics was viewed as a “soft option” and therefore not given the appropriate level of importance in examinations. This is sometimes reflected in examinations where the weighting for ethics components in exams is relatively low and/or the ethics was on optional question. The following quote illustrates this point:

“In every examination there will be a component of ethics, but there are 100 technical marks available, and students only need to score up to the first 50. What we find is that students quite often do not see, or do not write about or do not appreciate the components relating to ethics or values” [academic/ethics expert – Europe]

“There is a feeling that’s been suggested to us that if ethics for example is 20% of one paper, it really ought to represent 20% of the questions on that paper, and we’re not convinced it does at the moment. It might represent 20% but very much on the optional questions and basically some academics ...have told us that they feel frustrated by this because they don’t think its been given proper credence in the exam setting. (member body/regulator – Europe)

As previously outlined, there is strong support for the use of case studies in ethics courses. However, there was a diversity of views about assessment of cases. At the pre-qualifying level, some participants believed that case studies are best assessed by mentors and supervisors, while others used formal examination settings to assess ethical concepts highlighted in case studies. The use of both exams and group assignments as a means of assessment of cases was also identified by some participants. This approach was designed to maximize student discussion of issues surrounding particular case studies. The following quote illustrates the support for an assessment regime integrating both formal exams and case studies.

“I think ideally the notion of an exam is ethics is quite a problematic area. The way we assess them is not the way I really like to assess them, but it’s an assessment program set up within the constraints of the university; that you have got to have a formal exam. So what we ended up doing was we split the assessment into a 40% project and a 60% exam. The project is group based, and it has surprisingly few problems given the size of the percentage. We’ve had relatively few problems with inter-group dynamics and politics.

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The groups are no more than five, preferably four, and the task is, what they've got to do, they've got to choose a topic, any issue, preferably something they are familiar with, and something they care about...

The exam is under exam conditions, but they again are given a precise case study about two weeks before. Case studies we've had in the past are pharmaceutical companies and the problem of selling drugs in third world countries, and stuff like that. It's nearly a three page case study that they see. They get a chance to look at it in advance. They go on to the internet and find out more about the actual case.

On the exam day it's a three hour unseen written paper. They are given a set of quite open questions and they have to write about it and then relate to their case study.” [academic/ethics expert – Europe].

Further innovative assessment techniques were identified, including the use of the internet as a tool to facilitate a broadened level of ethical discussion via public on-line forums. This approach encourages business people to participate in debates with students on line and engage students with the issues that face professionals in the workplace.

Some member bodies have incorporated in their pre-qualifying programs assessments which deal with workplace scenarios, as an integrative unit combining technical issues with professional and ethical dilemmas. These types of assessment methods typically take the form of case studies and simulation, so that learners and candidates wrestle with a number of technical and ethical concepts and are required to participate in workshops and group discussions. Assessments are based on the candidates' ability to identify the technical and ethical problems, appreciate the competing interests of various stakeholders, evaluate principles and ethical standards and derive a reasoned approach to complex situations. The candidates are also assessed on their ability to provide sound judgment and a solution. These types of assessments can be subjective, but they can also reinforce and test the candidate's development of professional values and attitudes. It is important that the assessors should be well trained and that the member body should recognize the need for the required resources when adopting this type of assessment in their pre-qualifying programs.

Career-long learning – Ethics education in post-qualification programs

Empirical evidence indicates that there is little exposure to ethics education in tertiary institutions other than the teaching of the code, which is commonly taught in auditing. If ethics is not adequately taught in pre-entry or pre-qualification programs, member accounting bodies have a responsibility not only to teach ethics but to ensure that the limitations of ethics education in universities or similar institutions are overcome. In spite of this stop-gap motivation, there is distinct advantage in ethics education in post-qualifying programs. According to Rest (1986b), moral judgment continues to develop during one's education and stabilizes when education stops. Rest (1988) claims that students aged between 20 and 30 are in a very important formative period of ethical development and formal schooling is a powerful catalyst for ethical development. In fact, students in their 20s and 30s receive the greatest benefit from moral education programs (Trevino, 1992).

Continuing education programs have an important role to play in increasing ethical reasoning abilities of accountants, particularly for small accounting firms that lack formal in-house training

(Clarke et al., 1996). In support of this view, Fisher (1997) discovered that principled reasoning on tax compliance issues is heightened during graduate education. The author speculates that more advanced analytical skills are required to cope with the complexities of taxpayer dilemmas. Moral education is a life time process and therefore ethics training in continuing education or post-qualification programs is necessary to ensure continual development of moral reasoning (Shenkir, 1990). As socially responsible organizations, employers and member bodies should reinforce and further advance concepts introduced in tertiary institutions. One barrier facing educators is the reluctance on the part of professional accountants to accept the relevance and validity of ethics education in mandatory continuing education programs. They do not believe that ethics courses in continuing education programs would be effective in establishing higher ethical standards (Cohen and Pant, 1991). However, practitioners have been shown to believe that ethics should be covered significantly more than it currently is in undergraduate or pre-qualification programs with the emphasis in Auditing courses (Cohen and Pant, 1989, 1991).

Respondents' views on ethics in post-qualification programs

At the post-qualifying level of study, interviewees felt that the objectives of ethics education should be to reinforce principles previously learned, with particular relevance to new practitioners confronting ethical issues in the workplace. As part of lifelong learning, the objectives of ethics education should be to encourage a questioning frame of mind that goes beyond complying with rules, and as such the objective should be to provide ethics education that enables accountants to make informed judgments in the decision making process. For example, an interviewee in the Asia Pacific region had the following to say about the objectives of ethics education as part of lifelong learning:

"... the aim of ethics education at the end of the day should be geared in such a way that an accountant thinks ethically as second nature. ...It should be part of their daily thinking. It should not be something that they have to check out the Code of Conduct or the guidelines or by-laws, and say 'Am I doing something right or am I in breach of this?'" [academic/ethics expert – Asia Pacific].

The level of ethical competence was also addressed in terms of the objectives of ethics education in accounting. Further, evidence suggests that the objectives of ethics education will, in part, be determined by the weighting given to ethical competence by employers when appointing graduates and promoting practicing accountants.

Context and Cultural Issues

According to principles of cultural relativism, the standards that guide behavior are those established by the local norms of a society in which they are practiced. Therefore, ethical standards may differ from country to country. For instance, accounting practices considered ethical in one culture may be inappropriate in another culture. In contrast, universalism maintains that moral truths exist across nations and should be applied universally, irrespective of culture. These contrasting views provide the basis for investigating the influence of culture and context in teaching ethics across a range of diverse cultures.

The first main category of responses relates to the influence of culture on the development of ethical expectations. The general impression conveyed by interviewees was that commonalities exist across cultures in terms of life experiences and relationships and core religious and ethical

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values such as honesty, openness and integrity in terms of the expectation of professional conduct. The following are representative quotes to support this view:

“...when you are teaching ethics, you need to know that we all share common experiences in life and for example fraud may be more acceptable or unacceptable, but at the end of the day it still hurts..” [academic/ethics expert – Americas]

“I wouldn’t think culture would have an impact. I mean those are professional values that you have and hold whether your culture is Muslim or Chinese or whatever. It is part of professional conduct. You are expected to behave” [member body/regulatory body – Asia Pacific]

“..you can talk much more successfully across cultures than is often suggested. I have not found too many major differences anywhere in the world on very fundamental issues” [academic/ethicist – Asia Pacific].

“I think religions and cultures have their own opinions but they teach pretty much the same sort of thing.” [member body/regulatory body - MAS]

Although there were many participants who expressed a view that there was a common background for teaching ethics across cultural areas, a small number of participants commented on regional or religious differences that are likely to be encountered when attempting to devise a common global basis for ethical education in accounting.

“I think at the outset you need to discuss openly how different religious concepts will actually shape the way the student, the way the accountant will think about an issue. So if someone for example has grown up as a Catholic they are going to start to see the issue probably different from someone who grew up in an Islamic environment or a Jewish environment.” [academic/ethics expert – Americas]

A number of Asia Pacific region participants raised the issue of gift-giving, which is a matter of courtesy in some countries but in certain contexts, gifts may well be considered improper. Within their own cultural settings, the gifts were perceived by some participants as a valid cultural tradition, providing that they were not excessively valuable and were properly declared.

“It is very, very hard to run a global environment like a global ethics program in an organization because our definitions of concepts like what is a bribe versus a facilitating payment versus just a gift. It varies because there are cultural expectations. They are not evil they are just different.” [practitioner/industry – Americas]

Globalization Impact

It was acknowledged by some interviewees that different cultural environments provided challenges in terms of developing ethical frameworks that would be applicable globally to IFAC member countries. However, others acknowledged that greater uniformity in ethical values was likely to evolve given that international accounting firms have extended their branches globally. The following quote illustrates the thoughts about the impacts of globalization on ethical values and behavior:

“I think we have to somehow allow ourselves to look at different ethical models and build it into the curriculum so that when you are an accountant and you work for

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Pricewaterhouse Coopers and you are in the United States and then you get a secondment to Hong Kong or to Bangalore in India you are probably going to want to know that there are different ways of thinking about the same problem.We are ...business organizations that are global, because you have to deal with global accounting systems, global financial reporting responsibilities. You have to assume that everyone is doing their job in a way that is consistent with the mission and philosophy of the organization.” [academic/ethics expert – Americas]

The socialization-effect and ethical behavior

One might argue that if business ethics does not result in increased ethical behavior, ethics education has been unsuccessful and that it is simply not enough to point out moral principles and standards (Dean, 1997). However, Puxty et al. (1994) claim that professional accountants are induced to act ethically through two aspects of their socialization, the education process and the influence of work experience and role models who show what it means to be ethical. Students learn principles of good conduct in their education and then receive advice and observe how others behave in the workplace. Grimstad (1964) claims the strength of a professional’s moral and ethical fiber in practice is likely to be built in the first few years of their exposure to the corporate environment. A young professional operating in an ethical climate will develop a respect for moral behavior and any weaknesses in moral training will be overcome. Conversely, if peers are exhibiting unethical behavior, young professionals will be tempted to believe that such behavior is normal practice. In other words, students are influenced more by the organizational culture than by abstract principles taught in the classroom. Previous training and learning may be dismissed as impractical in the real world.

Likewise, Trevino (1986) suggests that the success of teaching students to think about ethical problems will not guarantee that accompanying changes in behavior will result when students enter the workforce. Ethical behavior reflects both individual and situational influences and ethical awareness may not be the most important factor in teaching accounting students. Behavior is shaped by the environment in which one works, even if initial judgment contradicts ultimate behavior.

If it is assumed that the necessary ethical training is acquired prior to entering the workforce, accounting trainees may sometimes be reluctant or unable to use their ethical training in the work environment. Fear of jeopardizing one’s career is a prime reason for maintaining loyalty to company traditions and culture. McDonald and Donleavy (1995) claim that difficulties experienced in the transfer of ethical training to the business environment should not signal the demise of ethics education, but rather be an indication that ethics education should pay more attention to the mechanisms by which the transfer becomes effective. According to Dean (1997), there must be an effort to integrate, or otherwise reduce the gap between theory and practice. Jennings (2004) argues that future ethics training must be refocused to help individuals make better ethical choices at critical junctures in their careers. Armstrong et al., (2003, p.10) claim that changing ethical behavior is probably beyond accounting educators’ capabilities. However, educators can assist the change in ethical behavior by increasing moral sensitivity, moral reasoning and moral motivation.

Impact of Western culture

Some participants from the Asia Pacific region commented on the impact of western culture, and more specifically American culture, in terms of the dominance of textbooks and curricula content. There was also related discussion on the Sarbanes Oxley Act and its implications in many other parts of the world outside the United States.

There were also issues raised about the ability to teach ethics in lesser developed countries, where poverty is all that some people know and, as a consequence, bribery and corruption were more readily viewed as acceptable. Thus the following question was raised by a representative from a less developed cultural region.

“ Is ethics a rich man’s or middle class person luxury rather than an across the board basic right?”

In response to this type of comment, various participants emphasized that despite poverty, people make decisions on ethical grounds that transcend their economic capacity. Overall, the participants expressed a view that there are more similarities than differences between cultures and that there were fundamental values common to all cultures. It was acknowledged that common ethical values were enhanced by globalization, but at the same time globalization also highlighted cultural diversity. Therefore, there is a need for employees of multinational firms to be aware of the context of their cultural region applicable to their work tasks.

Ensuring effectiveness of ethics education

Intervention studies frequently focus on ethical awareness (sensitivity to ethical issues) or ethical reasoning (rationale for decision-making). The effect of deliberate ethics intervention is an important question if educators are to incorporate ethics education into their professional qualification programs. Most accounting academics and practitioners readily agree that ethics should become a more significant part of accounting education; however, few studies have attempted to assess the effect of ethics intervention in the accounting curriculum.

The results of these studies provide mixed evidence on the effect of ethics interventions. Armstrong (1993), Shaub (1994) and Welton et al. (1994) discovered a positive effect of changes in moral reasoning, whereas St Pierre et al. (1990), Ponemon (1993a) and Lampe (1996) found no significant change in DIT (Defining Issues Test) P-scores. Armstrong (1993) found that accounting students who elected to take a course in ethics had higher test scores than those who did not, and the effect on students' moral development was beyond that which is expected to occur naturally. Armstrong's (1993) study is unique because it is the only study to examine the moral reasoning levels of students undertaking a dedicated ethics course in accounting.

Respondents' views on effectiveness of ethics education

In the present study, interviewees have expressed consistently the view that the role of the educator is to further develop basic ethical values initially provided by the family, religious and/or social environment. Ideally, the role of the educator was seen as developing ethical ideas in such a way that they become second nature to the accounting practitioner by building on a foundational core set of values. The extract below illustrates this view:

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“...you can sensitize people, raise their awareness of the issues. I don’t believe you can change the inner core of a person’s morals and their moral beliefs. I think what you can change is their behavior.” [academic/ethics expert – Europe]

Similarly, a practitioner from the Asia Pacific region stated that ethics education should reinforce existing ethical knowledge.

“I wouldn’t say changing values because to some people it may already be there or it may not. But I think the basic values must be second nature, it must be part of who and what they are.” [practitioner/industry – Asia Pacific].

Pre-qualifying or other undergraduate studies were viewed by several interviewees as an appropriate area where ethical values and knowledge of professional standards could be instilled and as such enable ethical values to become internalized by accounting students. It was also acknowledged that at this level of study, the ethics objectives need to be translated into assessable objectives. For instance:

“The objective is to give students some knowledge, and I think that one of the issues that is sometimes raised is how do you examine ethics, how do you examine an ethics course? I think in terms of examinable objectives we are trying to build students knowledge about ethics, and there is a whole lot of skills and abilities there that I think you can measure and assess in the same way..” [academic/ethics expert – Europe].

Summary

This chapter has examined the application of ethics education in academic study. A number of aspects of ethics education were considered including:

- the different approaches to ethics intervention, namely the discrete (required and optional) and pervasive methods;
- ethics intervention and the limitations of a pedagogy that is narrowly focused on teaching the code;
- the goals of ethics education including developing an intellectual background, ethical sensitivity, ethical competence and ethical behavior;
- issues in delivering ethics education including whether ethics should be taught by ethicists or business faculty, methods of learning and teaching ethics such as using cases, content and assessment;
- issues of learning professional values, ethics and attitudes in the workplace; and
- understanding the contexts and the impact of culture.

This chapter also highlighted some of the responses from the present study and demonstrated that respondents indicated:

- a preference for the pervasive method at post-qualifying level and both the discrete and pervasive methods at pre-qualifying level, with a dedicated ethics course introduced early in the program;
- that the objectives in pre-qualifying programs should focus on ethical responsibility, knowledge and values and in post-qualifying programs ethics education should encourage a

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questioning frame of mind that goes beyond mere compliance (the objectives identified by the respondents are not unlike the objectives identified in best practice);

- ethics should be taught by both accounting educators and philosophers, with an emphasis on cases relevant to the context in which it is introduced;
- that formal assessment is necessary so that ethics is not perceived as a soft option; and
- that there were more similarities among cultures than there were differences.

This Chapter captures the key aspects of ethics education considered by respondents regarding good practice. Following these analyses, the next chapter discusses the researchers' recommendation for a flexible framework of learning professional values, ethics and attitudes.

Chapter 6: A Flexible Framework for Learning Values, Ethics and Attitudes

Introduction

The preceding chapter examined a variety of arguments for the delivery of ethics education, including different approaches to teaching ethics, setting goals and objectives, delivery and impact. The responses from Surveys 1 and 2, together with the views presented by interviewees and focus group participants, were evaluated to determine appropriate means of learning ethics in accounting. In summary, the elements of the discussions suggest the following:

- Ethics education is important to provide intellectual understanding and the opportunity to learn ethical skills;
- there is merit in different ways of presenting ethics education. Both discrete and pervasive methods of ethics education provide different aspects of the objectives. A general course offers the background understanding while an applied course facilitates applications;
- ethics education should not be viewed as an independent element in the development of a professional accountant. It should be part of a broader framework where both technical and ethical competence are developed;
- how ethics is learned and taught should take into consideration the contexts and varying degree of environmental influences such as culture and the system under which accountants are professionalized;
- the content, assessment and delivery methods should align with the goals and objectives of learning ethics; and
- learning ethics should take into account the objective of developing skills to translate concepts into ethical behavior.

The purpose of this Chapter is to describe the researchers' recommended composite flexible framework to facilitate the implementation of ethics education by member bodies. Additionally, this chapter provides a detailed guide to the proposed flexible framework.

Professional accountants regularly find themselves in situations which threaten compliance with the fundamental principles of professionalism and ethics. Increasing reliance is now placed on the ethical integrity of the profession and its members, to ensure professional responsibilities are upheld and the public interest is safeguarded. However, as stated earlier in this study, codes of ethics, the traditional tool of ethical leadership, may only guide one's behavior. Ethical decisions ultimately rest with the individual. Consequently, ethics in accounting education plays a significant role in helping graduates to make ethically-informed choices, once they enter the workforce.

The researchers consider that the overall purpose of formal ethics education is to provide a learning structure in which ethical threats or issues may be identified and analyzed, so that accountants possess the skills and competence to resolve ethical issues to the point of action. Such educational experience should form the basis of ethical behavior, and should be complemented by appropriate workplace and professional development programs. Ultimately, accountants must be able to make informed decisions in the face of conflict and then follow

through with appropriate responsible actions. Specific goals of ethics education, discussed below, include:

- (a) Enhance *knowledge* of relevant standards, including relevant principles and concepts, and expectations of ethical and professional conduct.
- (b) Develop a sense of professional responsibility with ethical *sensitivity* and an appreciation of ethical threats in different situations.
- (c) Improve professional *judgment* with sharpened ethical decision-making skills.
- (d) Develop a commitment to *ethical behavior*.

These specific goals form the basis of the formulation of the Ethics Education Framework (EEF).

The Ethics Education Framework (EEF) and the Learning Continuum

Based on the review of literature and the research findings discussed in previous chapters, the research team believes that ethics education should be learned as a life-long process, which commences early in a professional's training, and continues throughout one's career as a professional accountant. The continuous process from the point of entry to post-qualifying levels of education should take into account the goals of ethics education discussed above, together with the diverse nature of the qualifying systems, cultural and economic development of different regions, and the practices of member bodies. Therefore, a key consideration of ethics education programs should be to align the objectives and approaches perceived as appropriate by member bodies and education providers.

The Ethics Education Framework (EEF) recommended by the research team offers a flexible structural design for member bodies to develop and maintain a program of education on professional values, ethics and attitudes of accountants in pre-qualifying and post-qualifying education programs. The EEF was developed from the extensive literature review, surveys of member bodies and interview data collected in this study. The basic elements of the EEF are described below.

- The EEF is a flexible framework from which member bodies of all countries can select suitable objectives and approaches which they believe are important and suitable for their environment.
- The objectives of ethics education are staged in the order of knowledge, sensitivity, judgment and behavior. Each objective applies to a particular level of advancement in the development of professional values, ethics and attitudes. Each level of advancement, and therefore an objective of ethics education, is described as a developmental stage. The stages begin with ethics knowledge (stage 1); ethical sensitivity (stage 2); ethical judgment (stage 3); and conclude with ethical behavior (stage 4).
- Ethics education in pre-qualifying education programs should focus on stages one through to three which includes the following objectives: achieving knowledge (intellectual background); ethical sensitivity; and some ethical skills of judgment and decision-making.
- Ethics education in post-qualifying programs will concentrate on the development of abilities to translate ethical concepts into behavior, i.e., the ability to adapt to change

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(potentiality for change), resolve dilemmas and maintain an internalized system to support an ethical environment.

- The EEF encompasses all levels of learning in that the topics within the EEF can be applied to cater for different objectives, approaches and attributes depending on the development of the ethics education program. In this way, member bodies can select a topic that is most relevant to their circumstances, then implement the EEF at the desired level. For example, ethics education at a basic level will normally commence a program of education at the 'knowledge' stage of the EEF and then proceed gradually through the stages. On the other hand, in situations where ethics education is already in place, a member body may begin their ethics education at a stage higher than the 'knowledge' stage, for example, the behavior stage (stage 4). The EEF introduces a flexible approach to learning ethics, which allows education providers to gradually implement the different stages of ethics education until the program is fully implemented.

Development and Specification of the Stages of the Ethics Education Framework

The EEF is a four-stage learning continuum (see Figure 6.1) that begins in the early stages of a pre-qualifying program, with each stage of the EEF based on the objectives of ethics education described above. The following is the description of the development of these goals and the stages that comprise the EEF.

Stage 1 Ethics knowledge

Professional accountants must understand the relevant ethical and professional standards of accounting. The knowledge base should include those theories and concepts sufficient to equip an individual with the intellectual underpinning to appreciate the requirements and expectations in different situations, professional and otherwise. Without core knowledge of ethical and professional principles, ethical outcomes are less likely.

Stage 1 is the foundation stage instills in accounting trainees fundamental knowledge on matters concerning professional values, ethics and attitudes. Ethics education at this stage focuses on the nature of ethics, an ethics framework to understand the environment, theories and principles of ethics, virtues and individual moral development.

Stage 2 Ethical sensitivity

Ethical sensitivity is the ability to recognize an ethical threat or issue when it occurs and being aware of alternative courses of action which can lead to an ethical solution. It also includes an understanding of how each alternative course of action affects the parties concerned. Enhancing ethical sensitivity through ethics education will enable accountants to more readily identify predicaments, which they must then resolve.

Stage 2 applies the basic ethical principles introduced in Stage 1 to the relevant functional areas (e.g. auditing and taxation) of accounting practice. The purpose of Stage 2 is to sensitize accountants to the ethical dimensions of accounting practice, to ensure accountants are capable of recognizing ethical threats as they arise.

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Stage 3 Ethical judgment

Professional accountants should expand their decision-making frameworks to include an increased emphasis on ethical values. Core ethical values are an important part of ethical decision-making. Choosing the right values requires ethics knowledge, an understanding of the consequences and ethical sensitivity.

Stage 3 is an application stage, where individuals learn how to integrate and apply ethics knowledge and sensitivity to arrive at a reasoned and well-informed decision. Stage 3 is designed to assist accountants in deciding on their ethical priorities and enable them to apply a well-founded process in making ethical decisions.

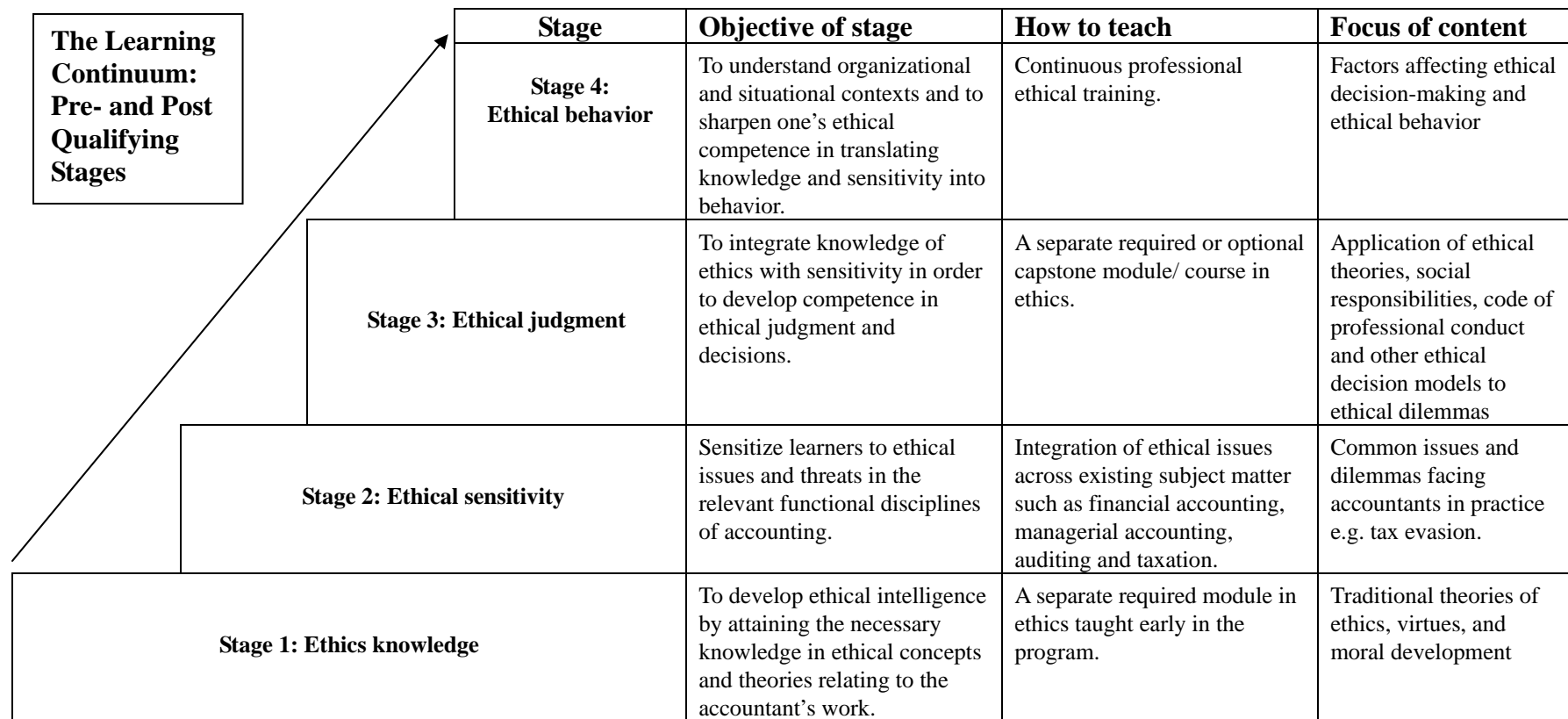
Stage 4 Ethical behavior

Accounting professionals must not only be adept with the technical aspects of their responsibilities but they must also be able to deal with situations where the facts are ambiguous, or where there are conflicting interests between stakeholders. Therefore, accountants must not only recognize ethical issues but they must also be committed to take the action which is ethically sound. Ethics training arguably provides accountants with the confidence to deal with an ethical conflict. Without training on ethical decision-making and behavior, accountants may easily succumb to the demands of their environment.

Stage 4 is concerned with how to behave ethically in situational or contextual environments such as the workplace. Ethical behavior means acting on principles, not merely believing in them. Therefore, professional accountants have a responsibility not only to abstain from action that may harm others, but to actively pursue the right course of action.

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Figure 6.1: The Ethics Education Framework



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Implementing the stages

Implementing the stages of the EEF may take one of two approaches. Each approach is described below.

Approach 1: Implementing stages 1 to 3 (Part A)

The first approach calls for a broad-based program of ethics education that incorporates the first three stages of the EEF in pre-qualifying programs. This approach incorporates ethics education throughout the program using a combination of the discrete and pervasive methods of education (see Chapter 5 for further explanation on the discrete and pervasive methods of ethics education). This approach (as indicated in Diagram 6.1) begins with an introduction to 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 ‘three-pronged’ approach, commonly referred to as the ‘sandwich’ approach, should be applied in its totality to realize the maximum benefits from a program of ethics education. However, depending on their circumstances, educators have the discretion to implement stages 1 to 3 incorporating only one (a dedicated subject only or integration only) or two elements of the sandwich approach (one dedicated subject plus integration in other accounting subjects). As stated above, the EEF should be applied using the three prongs. However, if educators decide or are unable to implement all three prongs, then they should implement at least two (stand alone module plus integration). Implementing only one prong is less likely to have observable impacts on the students’ ethics knowledge, ethical sensitivity and ethical judgment.

The above approach is consistent with the response from IFAC member bodies who indicated strong support for a compulsory foundation unit in ethics education in pre-qualifying programs. IFAC member bodies and interviewees agreed that ethics education should include both a dedicated unit as well as material integrated within other units of study in pre-qualifying programs. A first unit in ethics that explores ethical theories and frameworks within the context of accounting provides a strong base for further integrated approaches to learning ethics in accounting.

Approach 1: Implementing stage 4 (Part B)

Empirical studies suggest that ethics education in pre-qualifying programs improves the ethical awareness of business students, but the effect is not persistent. Ethical awareness continues to advance during one’s education and stabilizes when education stops. The temporary effects of ethics education on accounting students’ ethical awareness and sensitivity could be negated by prolonged exposure to ethics education that continues throughout one’s professional career. A single ethics course or module in either pre or post-qualifying programs is arguably too brief to have a lasting influence on an accountant’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 in pre-qualifying education programs. Therefore, ethics training in continuing education (professional development) or post-qualification programs (stage 4 of the EEF) is necessary to further advance ethical concepts introduced in pre-qualifying education programs and ensure continual development of ethical reasoning. Additionally, ethics education in post-qualifying programs will not only enhance the ethics of accountants, but will also increase the ability of accountants to resist peer pressure and pursue the right course of

action rather than follow accepted practice based on the culture of the organization. Consequently, ethics training in stage 4 of the EEF should focus on assisting individuals to make better ethical choices at critical junctures in their careers.

Approach 2: Implementing stages 1 to 4

The alternative approach is to implement all four stages of the EEF on a topic by topic basis, as suggested previously. The topics will be taught in stages and go through a process that begins with knowledge, then sensitivity, judgment and finally behavior. For example, a simple definition of ethics can be learned as part of the conceptual analysis of ethics in Stage 1. In Stage 2, the definition of ethics takes the form of more detailed explanation of the ethical principles and theories. At Stage 3, ethics is about moral development and applying an understanding of how rule-based and principle-based approaches provide different meanings of ethics between compliance and evaluating different principles. At Stage 4, ethics is defined as making the responsible choices in ethical dilemmas. It should be noted that each topic can be introduced at any point in the program and educators have the option of commencing their ethics education at different stages of the EEF. For example, educators may focus their ethics education on achieving ethical judgment (stage 3) and behavior (stage 4), rather than stage 1 or stage 2. However, given that the four objectives (ethics knowledge, ethical sensitivity, ethical judgment and ethical behavior) are sequential in nature, it is difficult to envisage a situation in which the benefits of ethics education are fully realized unless the learners have undergone all four stages at some point in their education.

Even though the content of ethics education in pre-qualifying and post-qualifying programs can vary depending on individual preferences and resources, IES 4 prescribes a number of topics which are the minimum requirements in ethics education programs. The topics prescribed in IES have been reproduced in Table 6.1 below. These topics were then matched with the topics identified by the respondents in this study as important topics. Providing the minimum topics are covered, the flexible nature of the EEF means that education providers can gradually implement the different stages of ethics education for the various topics until the program is fully implemented.

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Table 6.1 Prescribed topics of ethics education

IES 4 Topics (paragraph 16)	EEF Topics
<ul style="list-style-type: none"> • The nature of ethics • Differences of detailed rules-based and framework approaches to ethics, their advantages and drawbacks; 	<ul style="list-style-type: none"> • Framework approaches • Concepts and values
<ul style="list-style-type: none"> • Professional behavior and compliance with ethical standards • Concepts of independence, skepticism, accountability and public expectations • Ethics and law, including the relationship between laws, regulations and the public interest • Compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality 	<ul style="list-style-type: none"> • The environment - corporate, professional and regulatory • Professional ethics
<ul style="list-style-type: none"> • Ethics and the individual professional accountant: whistle blowing, conflicts of interest, ethical dilemmas and their resolution 	<ul style="list-style-type: none"> • Decision-making
<ul style="list-style-type: none"> • Consequences of unethical behavior to the individual, to the profession and to society at large 	<ul style="list-style-type: none"> • Ethical threats and safeguards
<ul style="list-style-type: none"> • Ethics in relation to business and good governance • Ethics and the profession: social responsibility 	<ul style="list-style-type: none"> • Enterprise governance • Social and environmental issues

A brief description of each of the above topics (listed under the column entitled EEF) and an explanation on how the four stages of the EEF apply to each topic is presented in Appendix 1.

Comparing the two approaches

Both approaches described above emphasize that ethics education is not a specialized topic confined to its own separate world, but a course of study that is relevant to all aspects of professional accounting and therefore should be addressed throughout the program of accounting education. Failure to address the ethical issues in the relevant functional responsibility sends an inappropriate signal that ethics is not important. Restricting the integration of ethics to only one functional discipline, such as Auditing, which is commonly the case, is problematic. Matters of ethics that do not fit naturally in the context of Auditing could be ignored. Consequently, ethics education may not receive adequate coverage.

Irrespective of the approach adopted, educators should consider exposing learners to at least one well-organized, reasonably substantive module in ethics education to grasp the importance and complexity of analyzing and solving ethical problems. The stage in which such a module is introduced is an important issue. 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 possess the ethical competence to address moral problems in subsequent education.

The ability to deal with ethical issues will be hindered if accountants lack sufficient education early in the program.

Delivering ethics education

The conventional lecture method of delivering education is a long-standing method of instruction that emphasizes the transfer of knowledge, rather than the process of learning. While the lecture method in accounting education is appropriate for developing one's ability to solve procedural problems mechanistically, it is arguably inappropriate for developing critical problem-solving capabilities to deal with complex dilemmas such as ethical issues. Notwithstanding the limitations of the lecture method of instruction, lectures might be considered a suitable method of instruction for introducing and describing theories and concepts.

Informed moral discussion is arguably a key ingredient of the moral development process. According to this view, accountants are more likely to develop morally with exposure to, and discussion of, ethical issues with as many people as possible, particularly views based on moral reasoning higher than one's own. Inherent in this form of interaction is informed moral discussion, which is the discussion of moral and ethical issues with others who are informed about the issues and the ethical theories that may apply to them. Informed moral discussion is more likely to be achieved with collaborative learning techniques that emphasize leadership, decision-making, trust building, communication and conflict management. The tools that readily develop such attributes include case studies, role-plays and literature. Such methods spark a level of involvement that engages the learner in the problem at hand and provides an insight of what it feels like to experience such problems.

In addition to collaborative learning techniques, educators should explore alternative and innovative methods of delivery when providing ethics education. Alternative methods of delivery worthy of consideration include: personal value journals, work-based placements, guest speakers from industry, and service learning such as community service projects. Such methods bring to the forefront experiences which require consideration and post-activity reflection on personal and professional values.

Challenges facing ethics educators

The notion that a person's ethical framework is fixed and cannot be modified is often cited as the major objection to ethics education. Critics argue that a person's value system is entrenched early in life through social institutions such as churches, families and local communities. Educators can only make a limited contribution, if any, to character building. However, such claims are based on the questionable assumption that the goal of ethics education is moral conversion. The primary goal of ethics education proposed in this study is not moral conversion but to provide accountants with the skills to identify and resolve ethical dilemmas to the point of action. However, one potential outcome of enhancing ethical and professional sensitivity and improved ethical decision-making is to raise the potentiality for moral change. Therefore, educators should focus on the goals outlined earlier in this chapter and, in so doing, set the scene for potential moral change.

Critics of ethics education also contend that ethics cannot be taught without indoctrinating or imposing one's value system on the intended learner. This occurs when educators put forward a view, without allowing the intended learner to exercise his or her own independent thought. A

learner who recognizes an educator's preferred answer is tempted to mould their remarks to fit that view. Consequently, accountants provide 'lip service' to values they don't actually espouse. Logical and ethical arguments will be presented without possessing any commitment to a firm ethical position. Ethical reasoning simply becomes a source of excuses, justifications and rationalizations. However, the problem of indoctrination is not unique to the subject of ethics. To counter the effects of indoctrination in ethics, as in any other subject, is to offer several perspectives on an issue rather than one single view. In this way learners will appreciate that there are many perspectives as well as potential solutions to an ethical dilemma.

In the higher education sector, there appears to be little incentive for young researchers, who must prove themselves in an increasingly competitive academic environment, to publish in ethics-related areas. Accounting ethics research does not appear to be embraced by academe in the same way as in traditional research topics, due mainly to the lack of rewards (e.g. salary, promotion, tenure). Without rewards, academics are unlikely to pursue a line of inquiry with which they are unfamiliar, which has fewer publishing outlets, and which is possibly viewed by peers as less rigorous. In order to generate interest in accounting ethics and attract new researchers and educators, educational and professional institutions should encourage, support and reward academic research in accounting ethics, by providing incentives and research assistance comparable with other research areas.

Summary

Based on the ethics education literature, best practices and an analysis of the findings in the project, this Chapter has provided a flexible approach for the delivery of ethics education, followed by a discussion of the basic tools to deliver ethics education and the challenges facing ethics educators. The Ethics Education Framework encompasses different levels of learning that can be implemented by member bodies depending on their individual circumstances. The various levels of ethics education that act as building blocks can be implemented as follows:

Stage 1 Ethics knowledge

Ethics education at this foundation stage instills in accountants fundamental knowledge on matters concerning professional values, ethics and attitudes.

Stage 2 Ethical sensitivity

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 3 Ethical judgment

Stage 3 is an application stage, where individuals learn how to integrate and apply ethics knowledge and sensitivity to arrive at a reasoned and well informed decision.

Stage 4 Ethical behavior

Ethical behavior means acting on principles, not merely believing in them. Therefore, professional accountants have a responsibility not only to abstain from action that may harm others, but to actively pursue the right course of action.

Chapter 7: Institutional Strategies

Introduction

“The day Arthur Andersen loses the public trust is the day we go out of business”

Steve Samek, Country Managing Partner, Arthur Andersen US, on the firm’s Independence and Ethical Standards CD ROM, 1999 (Toffler and Reingold, 2003).

Arthur Andersen went out of business in 2002.

If ever there was a time for IFAC to provide leadership in rebuilding public trust in the profession, the time is now. Following the creative accounting exposed after the collapse of Enron and a number of other corporations and the demise of Arthur Andersen itself, IFAC has already taken a number of steps to rebuild public trust in the profession. These include the report on *Rebuilding Public Confidence in Financial Reporting: An International Perspective* issued in 2003 and the *Proposed Revised Code of Ethics for Professional Accountants*, also issued in 2003. A further step in the right direction is this ethics education project. In other chapters in this report, it has been demonstrated that there is strong support from IFAC member bodies for enhancing the development and maintenance of professional values, ethics and attitudes in accounting education programs, at both the pre and post qualifying level. It has also been demonstrated that there is a body of knowledge in accounting ethics and that it can be taught. The next stage is to put into place institutional strategies to implement ethics education and this needs to be done at three different levels, namely by IFAC, the member bodies and the educational providers.

Role of IFAC

IFAC’s role is fundamental in implementing the recommendations arising out of this project and ensuring that IES 4 and the revised IEG 10 are adopted and implemented by member bodies. In the focus groups that were conducted for the project, several participants expressed views about ways IFAC can promote ethics education in the accounting profession in a worldwide arena. Some participants viewed IFAC’s role as one of benchmarking systems and providing guidelines for member bodies. However, it was felt by some participants that if IFAC went beyond such guidelines, and became a rule-making body, there could be some difficulty with compliance by some member bodies. Nevertheless, given a proactive approach by IFAC, others recommended that IFAC ensures that its procedures are open, accountable, and fully understood and supported by the member bodies. If such transparency and accountability is achieved, then discussion could progress without member bodies feeling unrepresented and lacking ownership of any collective decisions related to ethics education in accounting. It was felt that the current project went a substantial way towards supporting engagement by member bodies with ethics education, given the global engagement in surveys and the use of interviews and focus groups. The role of IFAC in implementing ethics education was taken a step further by some participants. For example, one practitioner from the Americas stated the following:

“I would love to see IFAC come out with a sort of a base level of ethics that every country should subscribe to. What ethics means, and ethics means for example, fair play and ethics means honesty, you know these base things. Ethics doesn’t mean always doing what your supervisor says but standing up for what is right and maybe there’s ten

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principles or fifteen base principles or whatever that we ought to say ‘These are the things that are base ethical principles that your country and every country ought to operate under.’

So what specific strategies can IFAC adopt in promoting ethics education? In the first instance, IFAC should use its leadership position and influence to widely publicize the recommendations of this project and the revised IEG 10 directly to members and ensure compliance. IFAC has a Compliance Advisory Panel (CAP) to oversee the implementation and operation of the IFAC Compliance program, which is the responsibility of the IFAC Staff reporting to the Chief Executive.

The objectives of the CAP as listed on the IFAC website are to:

- Oversee the IFAC Compliance function including reviewing the relevance, sufficiency and efficacy of the Statements of Membership Obligations (SMOs) and implementation of processes to determine whether member bodies comply with applicable SMOs; involving member bodies and Regional Organizations in the implementation of the compliance process, as appropriate; and facilitation of assistance to member bodies to enable them to comply with applicable SMOs.
- Approve action plans for the assistance of members in the areas of non-compliance.
- Make recommendations to the Board on changes and/or issuance of SMOs, admission of new members and any enforcement actions against IFAC members for non-compliance with SMOs.

To date, seven SMOs have been issued, including SMO 2 on *International Education Standards for Professional Accountants and other EDCOM (Education Committee) Guidance*. This SMO sets out the obligations of member bodies in relation to International Education Standards for Professional Accountants (IESs), International Education Guidelines for Professional Accountants (IEGs) and International Education Papers for Professional Accountants (IEPs) issued by the Education Committee of IFAC (the EDCOM). Quoting from SMO 2, member bodies should use their best endeavors to:

- Incorporate the essential elements of the content and process of education and development on which IESs are based into their national education and development requirements for the accountancy profession, or where responsibility for the development of national education and development requirements lies with third parties, to persuade those responsible to incorporate the essential elements of IESs in those requirements; and
- assist with the implementation of IESs, or national education and development requirements that incorporate IESs.

SMO 2 further states that IESs prescribe standards of generally accepted “good practice” in the education and development of professional accountants. They establish the essential elements (e.g., the subject matter, methods and techniques) that accounting education and development programs are expected to contain. The SMO also acknowledges that IFAC recognizes the wide diversity of culture, language and educational, legal and social systems in the countries of member bodies and the variety of functions performed by professional accountants. It is for each

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member body to determine the detailed requirements of their education and development programs, while meeting the requirements set out in the IESs. Thus, in developing a framework for ethics education, the project team has devised a framework that encompasses four levels (refer Chapter 6), namely knowledge, sensitivity, judgment and behavior, based around eight broad topics. In this way, those members who may, for example, have inadequate educational infrastructure, can nevertheless tackle at least the first and possibly second level, using the resources made available through this project. Thus, through the influence of its SMOs, IFAC is in a position to require member bodies to seriously embrace ethics education.

Another strategy that IFAC can use in respect of ethics education is to promote its implementation through key events such as conferences, particularly the next world congress, the 17th World Congress of Accountants, which will be held in Istanbul, Turkey on November 13-17, 2006. The Congress, organized around the theme "Generating Economic Growth and Stability Worldwide," will feature plenary sessions and workshops led by internationally recognized speakers from the public and private sectors. They will address issues of accounting, auditing, ethics and financial management. Looking at the chairman's introduction of the conference on the conference website, it is noteworthy that he says:

"The wave of technological innovation and globalization has been affecting the world, presenting new opportunities and challenges to professional accountants, business and the public that they serve. And also, certain unfortunate cases in accountancy have dramatically taken place. Enron was the first one. In following years, the impacts of those cases are very significant for accountancy world. Particularly, it will be extremely important to protect investors by improving the accuracy and reliability of corporate disclosures. Therefore, the Congress of 2006 will be very important for the public interest."

However, a look at the preliminary program shows that currently the topics for the Plenary Sessions are:

- Generating Economic Growth and Stability through the Accounting Profession in developing Nations
- Capital Market Stability Worldwide and the Accounting Profession
- Value Creation through Professional Accountants in Business

Topics for the Workshops include:

- Oversight of the Accounting Profession
- International Education Standards – the challenge of Implementation
- Corporate Governance and the Public Interest etc.

It is therefore timely for the IFAC Education Committee to ensure, if possible, that a suitable speaker is proposed to the conference organizers, as ethical values underpin the thrust of the conference as noted in the conference chairman's comments above.

Role of Professional Accounting Bodies

While IFAC undoubtedly has a leadership role to play in the implementation of ethics education, arguably the real push has to come from the member professional bodies themselves. During the course of this project, various views were presented via the focus groups as to the role of the member bodies in developing ethics education and ethical behavior. For instance, there was some evidence to suggest that member bodies should simply be reinforcing and promoting the ethical behavior already imbedded in pre-qualifying and post-qualifying courses. Others believed that member bodies should adopt a supportive type role for their members. The following quotes support these conclusions:

“I see it as part of the training and it’s important to get the individual to become aware of their values. It’s very much a difficult journey of self discovery to become aware of their values. but I do think [the profession] should be charged with the responsibility of taking would-be accountants down that road and making sure that we have a process of identifying those who are off the edge of an acceptable arena or viewpoint.”
(practitioner/industry - Europe).

“I think that the role of the accounting body is to say ‘OK, you are coming into a profession. The profession has a certain reputation. It needs to maintain its credibility etc. That obviously requires ethical behavior in the areas that accountants work in. These are the sorts of things that are expected from a public interest perspective about how you would work ethically and the things that might influence your ethical behavior.’ So it is teaching them how to deal with situations where their ethics are questioned, or where they’re put under pressure as distinct from teaching what ethics are per se.” (professional body/regulatory body geographic region – Asia Pacific)

However, it is also worthwhile to note that many member bodies of IFAC believe in the importance of ethics education and that guidance is needed in order to address the difficulties of implementation. Many member bodies also pointed out that they were in the process of implementing ethics in their post-qualifying programs such as the ethics requirements for CPD. The key issues of implementation, as identified by respondents were:

- Lack of financial resources;
- limited availability of skilled/interested tutors and relevant literature;
- lack of training materials; and
- lack of guidance to institute a long term plan which involves not only national bodies but all other stakeholders.

To address the above issues, the researchers, in reviewing the findings and the analyses carried out for this project, recommend that:

- There should be an increased level of dialogue amongst member bodies so that resources, wherever possible, can be shared and made available to all those member bodies which need them.
- The EEF proposed should be viewed as a long term strategy to align with the professional qualification processes and implementation can be phased. For example, a foundation

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ethics course/unit can be instituted within pre-qualifying programs where basic ethics principles and examples of sensitivity are included. The IEG proposed includes different alternatives which member bodies can consider adopting.

- Whilst it is recognized that the accounting ethics discipline is a relatively new area in the accounting curriculum, member bodies, together with IFAC, should consider a program of training the trainers, as part of the implementation plan.
- Member bodies should be encouraged to commence dialogue with key stakeholders, such as education providers, to devise a long-term strategy to embed ethics and professional values as an integral part of pre- and post-qualifying programs.

There are two specific approaches that member bodies can take in terms of implementation. Where they offer their own complete pre-qualifying educational process (such as, for example, the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants), consideration can be given to incorporating or further enhancing ethics education in their own syllabi, in accordance with the proposed IEG, over a period of time, as resources and time permits. We propose that this is done as a separate subject or in identifiable elements of a range of topics integrated throughout their syllabi.

Where member bodies accredit programs offered by education providers as a pre-qualifying requirement (such as CPA Australia and the Hong Kong Institute of CPAs do with accreditation of relevant degree programs), there are two options. The member body can insist on an appropriate ethics course being offered by the education provider for the purposes of accreditation of the program being offered, or otherwise modify their own additional pre-qualifying programs to cover what is not covered by the education providers.

In terms of post-qualifying ethics education, the member bodies can develop implementation plans in the context of the Continuing Professional Development (CPD) programs they offer to their members. Their ability to do so is enhanced by the mandatory professional development requirements that have been adopted by the profession. It should be noted that there are a noticeable number of member bodies and individuals who responded to the research who indicated that CPD should have a required element of ethics coverage. Thus it can be seen that the member bodies themselves are key players in any implementation strategy for ethics education.

Role of Education Providers

Education providers, whether they be universities, training colleges or the member bodies themselves, can play a very useful role as part of an implementation strategy. In the focus groups it was viewed by some that a basic sense of ethics is an essential prerequisite for a professional accountant and that this should be supported later on by professional CPD. The following quote reflects this view:

“I think number one; we ought to be testing the base level and see if a person has a basic sense of ethics and if they don’t, they probably shouldn’t be a professional... And then I think the profession ought to be teaching people through continuing education and through schools and everything else what it means to translate ethics to different settings

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in the accounting and business world and then the qualifying exams ought to be testing that.” [academic/ethics expert – Americas]

In implementing change that results in an improvement in ethics education, a number of interviewees from developing Asian countries believed that there is a need for a broader ethical education mandated by governments in particular regions/countries. This included views that the way forward is to have governments endorse compulsory ethics education courses at schools and universities, to achieve a more ethically minded population.

As referred to earlier in this report, there are conflicting views on whether ethics should be taught and conflicting expectations on how it might affect ethical decision-making and behavior. Regardless of the ongoing debate as to whether ethics can or should be taught, the attention of academics is now on developing ways to teach ethics effectively. There appears to be a variety of attitudes regarding ethics education ranging from an open resistance and skepticism and arguments that ethics courses not being effective, to a neutral “there is no harm in trying” and a more positive perception of ethics education as a force for improving the ethical standing of the profession (Sims and Sims, 1991; McDonald and Donleavy, 1995). In spite of the conflicting attitudes, educators generally agree that ethics and personal integrity should be taught across a broad range of subjects and not just auditing (Kerr and Smith, 1995; Milton-Smith, 1996; Smith, 2003).

However, confidence in the ability of educators to teach ethics effectively is not shared by their professional counterparts. Accounting professionals have more confidence in the ability of educators to conduct research that will aid in technical matters, than in providing moral and ethical guidance to solve real-world problems (Carver and King, 1986). While CPAs indicated that instruction in ethical concepts is important and should definitely be embodied in the accounting curriculum, they were uncertain about the ability of educators to provide instruction and guidance on ethical issues and concepts (Ward et al., 1993). Educators appear to be more effective in setting the stage for discussion of ethical issues than they are in resolving them (Cohen and Pant, 1989). This perception is also held by school administrators who did not believe, or were not sure, that ethics education would have a significant impact on student’s future ethical conduct (Thompson et al., 1992). These findings suggest that there is little confidence that ethics education will be effective in achieving its objectives and also suggests that there needs to be a change in attitudes if education providers, such as universities, are to be a key player in implementation of strategies to develop and enhance ethics education.

As part of a study undertaken for the Treadway Commission, Wyer (1987) investigated the manner in which accounting and auditing textbooks covered ethical situations and technical issues related to fraudulent financial reporting. Wyer (1987) observed that textbook coverage was minimal at best, with coverage focusing predominantly on the Code of Professional Conduct. Ethics education is most frequently addressed in auditing courses (Cohen and Pant, 1989; Armstrong and Mintz, 1989) and yet the most popular auditing textbooks devote only one chapter specifically to the subject of ethics. Puxty et al., (1994) found that accounting and auditing textbooks recommended by the member bodies either avoid any consideration of ethical principles, or reduced ethical principles to a mechanistic following of written behavioral guidelines. Engle and Elam (1985) discovered a direct relationship between textbook coverage

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and teaching emphasis. Topics that are lightly emphasized in auditing textbooks were given little time in the classroom.

Therefore, it is unlikely that the topic of 'professional ethics' will receive a reasonable coverage in auditing courses. Superficial textbook treatment creates the impression in the student's minds that ethics are of relatively little importance. It is also noted that the coverage of ethics by a majority of the responding member bodies represented less than 10% of their pre-qualifying programs.

Responding to the calls for increased ethics in the accounting curriculum requires time and commitment by staff to prepare course materials. However, there is little evidence of educators supplementing text material in any consistent or substantive fashion (Engle and Elam, 1985), presumably because of the time and effort required to develop adequate materials (McNair and Milam, 1993). On the other hand, the lack of materials argument may be used to camouflage a more broad ranging reluctance to incorporate ethical issues into the course (Gunz and McCutcheon, 1998).

The extent of ethics education in the business curricula appears to be increasing and while this trend is encouraging, many ethics courses appear to be optional and focused on business ethics, with few courses specializing in accounting ethics. Commentators continue to claim that accounting ethics is not covered in a significant way in most institutions of higher learning (Swanson, 2005; Gaa and Thorne, 2004; Lampe, 1996; Armstrong and Mintz, 1989; Cohen and Pant, 1989; Cooke et al., 1987-1988). As recently as 2004, two well known researchers in ethics education, Gaa and Thorne (2004, p.1) state: "it is apparent that ethics has not been given the prominence in the classroom that it requires". The authors also quote a study of the accounting curriculum by PricewaterhouseCoopers (2003) which states: "ethics is not a consistent, integrated part of the education of most accounting students". With limited ethics coverage in the business and accounting curriculum, it is unlikely that accounting students of educational providers will have sufficient training in business ethics.

The inability to introduce new topics or courses into overcrowded degree programs is one barrier to the inclusion of ethics in the business curricula (Armstrong and Mintz, 1989; Lampe, 1996). Courses or subject matter added to accounting programs often come at the expense of other topics. Since curriculum time in accounting programs is a scarce resource, the integration of ethics in accounting programs is not without opportunity costs (Loeb, 1991). Critics have argued that accounting syllabi have been swamped by regulatory pronouncements at the expense of critical and reflective skills (Power, 1991) and, given the recent developments in the regulatory framework (such as the Sarbanes-Oxley Act and the adoption of international financial reporting standards), this has become a bigger problem in recent years. The introduction of new material invariably means omitting material from more traditional areas of accounting such as financial and management accounting. This may prove difficult when careers, reputations and years of service have been built on understanding, developing and promoting this traditional knowledge. Support for the ethics education wanes in part, from the squeezing out of seemingly important topics for an apparent 'softer' topic. Consequently, 'soft' knowledge such as ethics has a tendency to fall out of the education training system as observed some time ago by Power (1991).

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That the above research indicates is that, with some notable exceptions, education providers are not in themselves going to be key players in strategies to develop ethics education for the next generation of accountants. The only way to develop ethics education would therefore be through pressure by member bodies of IFAC, in terms of strict ethics education requirements for purposes of accreditation of their training programs, diplomas or degrees. Moreover, the researchers believe that there should be a general acknowledgement of the significance of ethics education in business and accounting programs. Ethics is a core value which should be embedded as a foundation, while technical contents change over time and standards can be referred to from time to time.

An analysis of the qualitative comments from experts in ethics who participated in the project provided the following observations, which support the above:

- Learning ethics is about learning the basic knowledge to support critical thinking, tolerance of diversity, and developing a responsible system of an informed decision-making process. Learning ethics is learning to attain the intellectual power to discern facts, principles and priorities. Educators should therefore approach ethics education with a broad objective of developing the sensitivity and intelligence to make informed decisions.
- Institutions have a responsibility to facilitate learners with the opportunity to develop both technical and ethical competence. Technical competence alone cannot be effectively translated into practice without the awareness and skills to manage different contexts. Education programs must take into consideration the learning of contextual factors such as professional values, ethics and attitudes.
- Ethics is a life-long commitment and ethical competence is important for the professional career of the accountants. Both pre-qualifying and post-qualifying programs should incorporate a continuum of ethical development.

Summary

As the above analysis indicates, the main drivers of an implementation strategy for ethics education for accountants are likely to be IFAC itself and its member bodies. It is not likely to come from the education providers unless they are forced through accreditation processes to provide ethics education. Assuming there is strong support for IFAC's position on ethics education and that member bodies regard the Statement of Member Obligation (SOM 2) on *International Education Standards for Professional Accountants and other EDCOM (Education Committee) Guidance* as important, then the important key players in any implementation strategy will be the member bodies themselves as discussed above. It is an opportunity that they cannot afford to miss as the profession continues down the long path of rebuilding public trust. It is also rather ironic that it was recently reported in the Washington Times (Lane, 2005) that:

... the Supreme Court overturned the criminal conviction of the Arthur Andersen accounting firm on Tuesday, ruling unanimously that its shredding of two tons of Enron-related documents did not prove its intent to obstruct justice. The ruling comes too late to save Andersen, which employed 28,000 people (in the United States) until it was driven out of business as a result of the 2002 conviction. But the justices' decision was welcomed

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by the business community, because the court issued a warning to prosecutors to tread cautiously in such cases.

The profession cannot afford any more Andersen type implosions. But the warning signs are still there, as evidenced by a recent article by the New York correspondent (Glater, 2005) that:

The international accounting giant KPMG, under investigation for selling questionable tax shelters, will pay \$US456 million (\$A602 million) and accept an outside monitor of its operations under terms of an agreement that heads off prosecution. The agreement means that KPMG has dodged a potentially fatal indictment and avoided the fate of its former competitor, Arthur Andersen, which collapsed after prosecutors charged it with obstruction of justice in their investigation of failed energy giant.

Rebuilding public trust in the accounting profession will take time and the implementation of a robust ethics education process in the training and ongoing professional development of accountants is critical to the profession's future.

Chapter 8: Resources and Databases

Views on requirements for teaching resources

Many participants in focus groups and interviews for this project expressed a desire for a range of teaching resources. Most frequently the requests were for ethics case studies and related materials to be made available cheaply either on CD Rom or a networked basis. This request for support with internationally relevant case studies was expressed from a range of geographic regions. Participants felt that some components of ethics education covered in case studies would be likely to have universal application and therefore would have appeal to IFAC member bodies and accounting educators generally around the world. The following quotes acknowledge that many resources originate from North America, but they have validity in other geographical contexts.

“What I would like to see IFAC coming up with is practical cases which will probably end up coming from a North American environment but ensure then those materials can actually be used outside the North American context.” [academic/ethics expert – Europe]

“...syllabuses are more or less there. It is the educational support of materials like models or some CD Rom or some on-line learning supports to bring in the dimensions of what is right and wrong. Then we could all use that. They are quite generic as an element. I think that ..[it is] not difficult to understand what is ethics in Australia, US or Hong Kong..... But there [is] a fairly generic component that affects all of us around the world and if IFAC can channel resources to do that and [provide] them on a subscription basis. Make it really cheap because you are talking about world-wide, and at this stage of on-line learning it is not difficult.” [professional body/ regulatory body – Asia Pacific].

In this Chapter, the issue of resources and databases are addressed. There are two sources of information on this issue, namely the literature that reports on resource applications in ethics education and those applications specifically developed by the project team for use by educators worldwide. The purpose of this first section is to highlight educational practices espoused in the ethics education literature. Much of the literature is of a practical nature that can be applied in a program as appropriate. The second section relates to resources such as a Toolkit for members’ use, developed by the project team, and details of relevant web-based resources that the project team believe could be useful for IFAC members and instructors.

Educational practices available in the ethics education literature

Learning exercises to stimulate ethical awareness

Radtke (2004) offers a learning exercise designed to stimulate professionalism, recognition, discussion and resolution of ethical dilemmas among groups with heterogeneous ethical orientations. The exercise consists of 5 steps, namely:

- Distribute handouts 1 and 2 consisting of the Ethics Position Questionnaire, (EPQ) – a means of classifying students’ ethical orientation.
- Organize class in groups according to the results of the EPQ.
- Class discussion of how professionalism affects ethical decision-making is discussed (handouts 3 and 4).

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- Evaluate ethics vignettes (handout 5) in groups determined in step 2.
- Compare discussion across open class.
- (Handouts 6 and 7 may be utilized for more in-depth discussing).

Teaching notes for this exercise are available through the American Accounting Association publications system: <http://aaahq.org/ic/browse.htm>. See also, Radtke, R. R. (2004), "Exposing accounting students to multiple factors affecting ethical decision making" *Issues in Accounting Education*, February, vol. 19, no, 1, pp. 73-85.

Haywood et al. (2004) propose a game strategy based on Bingo (Ethics bingo game) to teach ethics and professionalism to learners. The authors argue that traditional textbook methods of learning are dry and fail to capture the learners' attention. Using a game helps maintain interest and involvement. The learning objectives of the game are to:

- help restore trust in the accounting profession by emphasizing ethics and professional responsibilities to students (future accounting professionals);
- identify similarities and applicability of accounting originations' ethical and professional codes regardless of the learner's expected career path;
- provide opportunities to enhance the learners' critical thinking skills; and
- engage learners in the learning process by making ethics coverage interesting and fun.

Further discussion of the objectives and a guide on how to implement the game can be found at: Haywood, E. M., McMullen, D. A., and Wygal, D. E. (2004), "Using Games to Enhance Student Understanding of professional and Ethical Responsibilities", *Issues in Accounting Education*, February, vol. 19, no. 1, pp. 85-99.

The American Accounting Association (AAA) produced the *American Accounting Association Ethics Casebook: Ethics in the Accounting Curriculum 1994* (The AAA Casebook). In this book, the AAA provide a model of ethical decision-making by which cases can be analyzed and discussed (the AAA model). The AAA model is based on one presented in a paper by the authors, Langenderfer, H. Q., and Rockness, J. W., (1989), "Integrating Ethics into the Accounting Curriculum: Issues, Problems, and Solutions", *Issues in Accounting Education*, vol. 4, no. 1, Spring, pp. 58-69. The authors contend that the case method of teaching is the best way to present ethical issues in a program. The following model assists educators to overcome any anxiety in teaching ethics or lack of case teaching experience (1989, p.66).

- (a) What are the facts to the case?
 - major facts, pertinent information, and industry and local standards are identified.
- (b) What are the ethical issues in the case?
 - students should identify issues and stakeholders.
- (c) What are the norms, principles, and values related to the case?
 - consider norms etc (e.g. profit motive, harms, integrity) and the effect on stakeholders.

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- (d) What is the best course of action that is consistent with the norms principles, and values identified in (c)?
 - major discussion component of the model which may lead to a resolution.
- (e) What are the consequences of each possible course of action?
 - consequences to stakeholders are evaluated
- (f) What is the decision?
 - a conclusion based on the discussion in earlier parts of the model.

Mintz (1995) argues that decision frameworks such as the AAA model focus on the act and ignore the virtues of the person making the decision and is deficient in promoting character development (Hill and Stewart, 1999). This method has a spectator viewpoint that does not engage the student and as such does not foster the development of virtues. Hill and Stewart (1999) recommend five pedagogical strategies designed to foster virtues in business ethics. They are:

1. Teaching virtues via narratives

Narratives such as books, movies and biographies make no pretence of being ethics neutral, and the complex plots can engage students on an emotional level and possibly create personal moral conflict. Stirring emotions such as empathy caring and commitment are fundamental to fostering character development.

2. Mentor relationships

Learning what is right often comes from observing the actions of good people. Mentor relationships, whether it comes from external mentors or the educators themselves, help students in two ways: first, the development of skills that will improve career opportunities; and second, character mentoring that act as role models.

3. Collaborative learning

Collaborative learning emphasizes small group learning which develop skills in leadership, decision-making, trust-building, communication and conflict management. Interaction with other students promotes higher individual achievement than more individualistic approaches.

4. Service learning

Service learning such as community service and working with minorities or the disadvantaged, helps put theory into action which can ultimately have positive effects on students' personal values and commitments.

5. Self reflection

Students should be encouraged to examine their attitudes and convictions via journals and reflection assignments. Such tasks help students to develop lessons from their personal experiences.

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McPhail (2001) claims that unlike other professions, in accounting there are relatively few specific examples of methods and techniques of teaching ethics in the literature. The following techniques draw on experiences from teaching ethics within the medical, legal and engineering professions. McPhail (2001) discusses eight issues. For a detailed discussion of the issues, see McPhail, K., (2001), “The Other Objective of Ethics Education: Re-humanizing the Accounting Profession – A study of Ethics Education in Law, Engineering, Medicine, and Accountancy”, *Journal of Business Ethics*, vol. 34, pp. 279-298.

- Interdisciplinary

“An interdisciplinary approach to ethics can disrupt students ethical perceptions and lay the basis for developing emotional sensitivity” (McPhail, 2001, p. 286). This can be achieved through content such as humanities and liberal arts and the composition of the class which brings together students from different disciplines.

- Group learning

Group learning places the burden of responsibility for learning upon the individual learner who is part of a team and helps the learner to develop ethical sensitivity.

- Real life case studies

The reality of case studies sparks a level of involvement that engages the learner in the problem at hand and provides some idea of what it feels like to experience such problems. Other techniques pertinent to the issue of real-life case studies include guest speakers and interviews.

- Role Play, Film and Literature

The re-humanization process must find a way to make victims of unethical behavior visible. Role plays and structured discussion is one way to achieve this objective. Consistent with this objective, films display images that stir feelings and emotions. Similarly, literature raises imaginative consciousness. Literature has three important functions: (1) it develops sympathizes for others; (2) helps to come to terms with emotions and conflicts; and (3) gives rise to moral questions.

- Personal values journals

This technique, which appears most often in medicine and law is concerned with exploring the feelings of the learner. Learners are encouraged to write and explore their feelings and values by writing personal values journals.

Details provided in the journal “Issues in Accounting Education”, Vol. 19, No. 1, 2004

In spite of the scarcity of teaching resources described in the above section, Jennings (2004) claims that there are six seminal works that offer students insight on resolving ethical dilemmas in business which make them required components of any ethics curriculum. To the extent that ethical decision-making in difficult circumstances is a primary goal of ethics education, Jennings (2004) proposes the following six works as core reading requirements:

- The Parable of the Sadhu, by Bowen H McCoy (1983)

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A banker on a climb to the top of Nepal's highest summit encountered a religious pilgrim – a sadhu - who is inappropriately dressed. What follows is a series of ethical dilemmas involving live or die choices.

- **Is Business Bluffing Ethical?** by Albert Z Carr (1968)
A cynical look at business using the analogy of a poker-game where all participants know that everyone is lying, therefore, lying must be ethical.
- **Ethics without a Sermon**, by Laura Nash (1981).
Nash offers a decision model that restores conscience to those in business.
- **Ethical Leadership and the Psychology of Decision-making**, by David Messick and Max H Bazerman (1996).
Examines misguided decision making based on seemingly reasonable factors but devoid of ethics: erroneous confidence, exaggerated sense of control, and experience with “good future events”.
- **Behavioral Study of Obedience**, by Stanley Milgram (1963).
A seminal study indicating peoples' willingness to inflict pain on others when there was a pressure to follow orders.
- **Effects of Group Pressure on the Modification and Distortion of Judgment**, by Solomon Asch (1958). This looks at the effects of group pressure on individual decision-making.

Thomas (2004) presents the results of a review of articles and other references to assist educators with incorporating ethics material in the accounting curriculum. The author presents an extensive list of recent and traditional works tabulated as follows (See Thomas (2004) for a detailed listing of references):

- foundational literature dealing with whether ethics can be taught, course design, and theoretical approaches;
- textbooks and other references;
- resources describing exemplary ethical or unethical conduct such as that evidenced at Enron and other companies; and
- other resources listed alphabetically by subject matter.

American Accounting Association recommendations

The Education Committee of the Auditing Section of the American Accounting Association has compiled a set of ethics-related resources on its website that may be useful to instructors wishing to enrich their approach to the teaching of ethics. These materials, a number of which are available free of charge, include video, web sites, various links, and selected speeches and articles that are all electronically available.

For example, the website includes a 5-part video that focuses on WorldCom and its investment bankers. The 5 episodes total 53 minutes. Another example is various materials, including cases, streaming video and more, that focus on ethical issues relevant to accountants and auditors made available by the American Institute of CPAs. To access this website, one needs to go to:

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<http://aaahq.org/audit/education.htm>, and then click onto the heading “Fall 2003: List of Ethics Related Resources”

Sample programs

Discussed below are two sample programs. The first, extracted from the literature (Armstrong, 1993), outlines a number of elements that ought to be included in an ethics and professionalism course. The first element is that courses in ethics and professionalism should be grounded in a theoretical base that comprises three components: (a) traditional ethical theories from the field of philosophy; (b) theories of moral development; and (c) the sociology of professions. The first two enable learners to reason more clearly when confronted with moral dilemmas. Providing learners with a series of case studies, without the theoretical tools to reason through such cases, will not enhance the learner’s ability to reason. Studying sociology enables learners to better understand the role of professions and the role they play as professional accountants.

The second element is a discussion of official guidance such as the code of professional conduct that serves as a map for day-to-day moral decision-making. Thirdly, discussion of current controversial ethical issues relative to the profession is also essential.

Armstrong (1993) provides an example of an ethics and professionalism course designed as an elective course for students entering public accounting⁴. While the course has a distinct US flavor, and is now somewhat dated, the sample course nevertheless provides a useful model for institutions to adopt and adapt to their local programs.

TOPIC 1: Theoretical Foundations

- Ethical theory
- Moral development theory
- Sociology of professions

TOPIC 2: Professional Guidance

- AICPA Code of professional conduct
- Monitoring and enforcement
- Guidance in tax practice
- Guidance in management advisory services

TOPIC 3: Congressional investigations and professional responses

- 1970s: Moss, Metcalf, Cohen Commission
- 1980s: Dingell Wydan, Brooks, Treadway commission

TOPIC 4: Federal Trade Commission

- 1970s: Advertising and solicitation

⁴ Educators may want to refer to this list of reading references provided with Armstrong’s (1993) the sample course: Armstrong, M. B., (1993), "Ethics and Professionalism in Accounting Education: A Sample Course", *Journal of Accounting Education*, vol. 11, pp. 77-92.

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- 1980s: Commissions and contingent fees

TOPIC 5: Public opinion surveys

- Public oversight board
- Harris board

TOPIC 6: Case Studies – integrated throughout course

In regard to traditional ethical theories, Armstrong et al., (2003) refer to well known theories such as egoism, utilitarianism and deontology. In addition to these well-known theories, Armstrong et al., (2003) advocates the use of virtue ethics theory in accounting ethics education. The authors outline virtue ethics theory and literature supporting the adoption of this theory.

The second sample program is one currently being taught as a compulsory program to accounting students at RMIT University, Melbourne, Australia (2005). The details, topic by topic, are as follows:

TOPIC 1: An ethical framework

- An ethical framework for accountants
- Ethics expectations
- Ethical threats for accountants

TOPIC 2: Corporate collapses and the need to restore credibility and trust

- An understanding of the reasons behind the major corporate collapses in the US and Australia
- Why collapses such as Enron, WorldCom, HIH Insurance, OneTel and Harris Scarfe had such an impact
- The reasons for the Arthur Andersen collapse and its impact on the profession
- Regulatory responses to corporate collapses and the loss of trust in the accounting profession

TOPIC 3: Understanding ethics and moral judgment

- Normative ethical theories
- Kohlberg's theory of cognitive moral development
- Moral reasoning development in accounting

TOPIC 4: Ethical decision- making models

- American Accounting Association (AAA) Model
- Tucker's 5 Question Model
- Stakeholder Impact Analysis
- Moral Standards Approach
- Pastin's Approach

TOPIC 5: Professional ethics and codes of conduct

- Attributes of a Profession

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- The importance of the public trust
- Objectives of the code of professional conduct
- Limitations of the code of professional conduct
- Disciplinary procedures

TOPIC 6: Professional independence and client-centered conflicts of interest

- The role of professional independence
- Threats to independence
- Defining conflicts of interest
- Conflicts of interest in the Accounting profession
- Avoiding conflicts of interest

TOPIC 7: Ethics in a corporate environment

- The importance of truth in financial reporting
- Whistle-blowing
- Workplace ethics
- Cross-cultural ethics
- Corporate culture and codes of conduct

TOPIC 8: Corporate governance

- Principles of corporate governance
- Impact of the Sarbanes-Oxley Act (SOX)
- Impact of the Commonwealth Legislative and Economic Review Program (CLERP 9)
- The role of the accountant in corporate governance

TOPIC 9: Social responsibility accounting and reporting

- The development and importance of social accounting
- The relationship between ethics and social accounting
- Accountability, stakeholder theory and legitimacy theory
- Methods of social reporting.

The above sample programs are simply examples only and it would be necessary to adapt any ethics program to the specific regulatory environment in which it is taught.

Applications specifically developed by the project team for use by educators worldwide

Toolkit

The project team has produced a separate IFAC Ethics Education Toolkit, which will be made available to IFAC members on a CD Rom, for use by instructors in developing and supporting their ethics programs. The Toolkit is a resource that includes textual material, web references and

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sample power-points, all within an integrated framework as discussed in Chapter 5. The Toolkit also includes five videos on ethical scenarios in business, together with associated textual case study material. Readers of this report should request a copy of the Toolkit from IFAC.

The topics covered in the Toolkit include:

1. Framework approaches
2. Concepts and Values
3. The Environment
4. Professional Ethics
5. Decision-making
6. Threats and Safeguards
7. Enterprise Governance
8. Social and Environmental Issues

Relevant Website Resources

The project team reviewed scores of websites and attached as Appendix 9 are over 40 websites that are regarded as useful resources for instructors. The websites are categorized into three groups, namely:

- University-linked Ethics Centers
- Ethics Centers and Networks
- Accounting Bodies

These websites, accessed between January and August, 2005, provide a wide range of resources, including lectures, film/video clips, literature reviews/articles, codes of ethics, links to other resources and sundry other materials. Many of the resources on these websites are available free of charge.

Summary

In this chapter, the important issue of resources is addressed. If IFAC members and instructors world-wide are to take up the challenge of implementing ethics education as part of the educational process for qualification of accountants and ongoing professional development, then provision of resources is a key issue. From the literature, a number of resources are identified, which demonstrate that ethics can be taught. In particular, a recent edition of *Issues in Accounting Education* provides a range of valuable resources. The American Accounting Association has also identified a range of resources and the means to access these are noted above. Sample programs are also listed, including one currently being taught by an educational provider. A separate Toolkit to assist instructors has been developed by the project team and a selection of useful websites is listed in Appendix 9. In developing programs for learners in different countries, instructors and IFAC member bodies will nevertheless have to use their professional discretion on what resources are useful for their particular ethics program.

Appendices

- 1. An Application of the Four Stages of the proposed Ethics Education Framework (EEF) and the nominated topics**
- 2. Survey 1 instrument**
- 3. Survey 2 instrument**
- 4. Focus Group Discussion Questions**
- 5. Interview Questions**
- 6.1. List of Participants - Survey 1**
- 6.2. List of Participants - Interviews**
- 6.3. List of Participants - Focus Groups**
- 7. Literature on the ethics coverage of some non accounting disciplines**
- 8. Resources – examples of relevant Ethics Websites**
- 9. Samples of Ethical Decision-making Models**

An Application of the Four Stages of the proposed Ethics Education Framework (EEF) and the nominated topics

Topic 1: An ethics framework for accounting and finance professionals

1. This topic provides an understanding of the relationships and interests of different stakeholders which have an impact on the work of the accountant. The ethics framework shows the overall relationship between individual ethics, workplace ethics and the influences of other internal and external factors on the professional values, ethics and attitudes of accountants. Accountants and accounting students are provided with a structure upon which the ethics knowledge, ethical sensitivity, judgment and behavior are based. This topic is applicable at all stages as a foundation.
2. Ethics is defined within the ethics framework. At Stage 1 for example, ethics can be defined simply as what *ought* to be the behavior of accountants. At higher stages, ethics is learned with an understanding of its relationship with others, society and the profession. Ultimately, ethics should be appreciated as the evaluation and application of a process of reasoning with a consideration of all relevant factors and principles, and a commitment to a choice of action which is morally sound, and which demonstrates professionalism and integrity.
3. This topic should be included as part of all stages. Each of these stages may include the following:
 - At Stage 1
 - Nature of ethics
 - The ethics framework for accountants
 - Rules-based and principles-based approaches
 - The foundations of a profession
 - At Stage 2
 - Ethics and the profession
 - Accountants and the stakeholders
 - At Stage 3
 - Interests of stakeholders and conflicts
 - Professional conduct and the public interest
 - At Stage 4
 - Behavior and influences of stakeholders

Topic 2: Concepts, theories, principles and values

4. Students must be conversant with the basic tenets of normative ethical theories and their strengths and weaknesses, which are then used to identify and analyze ethical issues for specific business practices. Theories of ethics enable students to reason more clearly when confronted with moral dilemmas. Providing students with a series of case studies without the theoretical tools to reason through such cases will not enhance the student's ability to reason about ethical issues.

At Stage 1

- Commonly used theories and principles (e.g., Utilitarianism and Deontology)
- Theories of moral development
- Virtue ethics theory and values-based education

At Stage 2

- Ethics and culture
- Professional values, ethics and attitudes and the code of conduct for accountants.

5. One limitation of ethics education is that students learn the language of ethics and can morally defend proposed actions but education falls short of developing virtuous people. Virtue ethics and value based education focuses upon growth of a moral personality and emphasis is placed on character development and the belief that appropriate moral actions 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. Professional values can be identified from accounting and auditing standards, and the code of professional conduct.

Topic 3: Corporate, professional and regulatory environment

6. This topic considers the different stakeholders and their influences in the corporate and professional environment. It can be learned with different degrees of difficulty at different stages. Examples of matters to be covered are:

At Stage 1

- The corporation and its interests
- The accountant and the stakeholders
- Professional responsibilities

At Stage 2

- The accounting profession and public expectations
- Professional and legal requirements in financial reporting and auditing
- The concept of accountability

At Stage 3

- Investigative reports and professionalism

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- Developments in the profession to enhance professional values, ethics and attitudes, including codifications and education initiatives

At Stage 4

- Learning with and managing professional responsibilities through case studies.
7. The regulatory environment should be introduced at Stage 2 and elaborated at higher levels. Depending on the legal and regulatory regimes of each country, this topic should include:
 - 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.
 8. The regulatory environment should be learned based on each country's legal and financial regimes. Moreover, as accounting is increasingly globalized, the impact of International Financial Reporting Standards and legal reforms such as the Sarbanes-Oxley Act in the US, are fundamental in the understanding of the influences that are faced by accountants globally. This topic should be an ongoing topic for continuing education (professional development), i.e., Stage 4, as well.

Topic 4: Professional ethics, guidance and self-regulation

9. This topic provides a detailed discussion of the professional standards and expectations of accountants beginning at Stage 2.

At Stage 2

- Compliance with fundamental ethical principles
- Code of ethics, including corporate codes and underlying rationale
- Technical and ethical standards
- Independence, professional skepticism, accountability and the public interest

At Stage 3

- Self regulation and oversight functions
- Quality and peer reviews
- Case analyses of professional issues

At Stage 4

- Current developments in professional ethics and conduct
 - Case analyses of professional issues
10. Professional ethics guidelines must be fully discussed and not just read. The importance of the code, the underlying assumptions of the code and the ability of being able to choose different principles in the code, should be practiced. Hence this topic provides the basis for professional attitudes to develop. Professional accountants should also be aware of the differences of professional pronouncements in different countries.

11. Studying the sociology of professions enables learners to better understand the role of professions and the role they play as professional accountants. At stage 2, accounting students should be able to appreciate the differences between rule-based approach and principle-based approach to ethical decisions.

Topic 5: Tools for ethical decision-making

12. This topic covers a systematic approach to analyze and manage ethical issues or threats. Models of ethical decision-making are introduced. The models should be learned after an appreciation of different factors which may influence an accountant's role, including the corporate and professional environment, regulatory frameworks and professional ethical standards. The most commonly adopted ethical decision-making model is described in paragraph 84. Accounting students and accountants should appreciate that ethical decision-making models are tools only. They are designed to provide examples of a systematic process where individuals evaluate an ethical situation or risk in a manner to enable all relevant factors and principles to be taken into consideration. The models can be adapted so that individuals apply professional standards in assessing situations. Appendix 2 describes some of the commonly used ethical decision-making models. This topic can be introduced towards the end of Stage 2.
13. The level of ethical awareness and development may determine how an individual thinks about ethical dilemmas, but this alone is not enough to explain or predict ethical behavior. Additional individual (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) interact with the cognitive processes to determine how an individual is likely to behave in response to an ethical dilemma. 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 do good people behave badly?
 - Factors affecting ethical decision-making
 - The effects of group pressure on ethical decision-making

Topic 6: Ethical threats and safeguards

14. Ethical threats are situations where accountants are confronted with competing interests and there is the likelihood that they may compromise the fundamental ethical principles 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 financial reporting tasks (e.g., earnings management), auditing and assurance engagements (e.g., risk of compromising integrity and independence), or in other services such as taxation or financial planning services where self-interested clients or employers dictate the actions of the accountants.
15. The IFAC *Code of Ethics for Professional Accountants* offers a framework of threats and safeguards. In ethics education, accountants and trainees must be sensitized so that they are able to identify such ethical threats and appreciate the importance of establishing

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safeguards, either within their reporting systems or as a part of the professional body's support. The topic should be learned at all stages.

At Stage 1

- Definition and scope of ethics threats and issues in accounting and related areas
- Introduction of safeguards at professional and firm levels

At Stage 2

- Conflict of interests in corporate and professional environments
- Different types of ethics threats and ethical issues

At Stage 3

- 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
- Whistleblowing cases and solutions

At Stage 4

- A discussion of current controversial ethical issues relative to the profession.
- Analyses of threats and safeguards

Learners and students must learn and gain practice in identifying the ethical content of economic decisions in everyday business situations.

Topic 7: Enterprise governance

16. Ethics is the essence of corporate governance and underpins good corporate practice. Accountants must understand the criteria under which corporate governance can be effectively measured and enhanced.

At Stage 1

- The nature, significance and scope of enterprise governance and threats to effective governance
- Theoretical framework including agency problems
- Minimizing the threats of agency costs

At Stage 2

- Corporate and other social responsibilities
- Stakeholder relationships
- Regulatory framework for corporate and enterprise governance
- The role of accountants and auditors in governance frameworks

At Stage 3

- Governance good practice and issues
- Analyses of cases of failures
- Global developments in enterprise and corporate governance

At Stage 4

- Benchmarking governance cases in practice

Topic 8: Social and environmental issues

17. The accountant serves the public interest and works in an environment where he/she has an important role in enhancing corporate and organizational social responsibility. The accountant is said to be the moral agent of an organization and can influence the ethical and social wellbeing of the organization. This topic provides the latest development in social and environmental issues which relate to the accountant's work, and develops the skills necessary for the accountant to be a proactive party in the practice of social responsibility.

At Stage 1

- The scope, background and concept of Corporate Social Responsibility
- The accountant and the society including agency problems
- Minimizing the threats of social costs and liabilities
- Development in social and environmental frameworks

At Stage 2

- Measurement and accountabilities in social and environmental reporting
- Issues in social responsibilities and accountabilities

At Stage 3

- Regulatory framework
- The role of accountants and auditors in society and businesses
- Analyses of cases of social and environmental failures
- Social and environmental accounting and issues

At Stage 4

- Benchmarking cases in practice

Other topics

18. Other application topics in ethics may be introduced so that the accountants are exposed to ethical issues in particular settings which reflect real world problems. These topics should be introduced towards an advanced stage 2 or at stage 3 and 4. Different aspects of ethical threats and safeguards can be introduced with specific environments. Examples of these topics are:

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- Ethics within small and medium size enterprises (SMEs)
 - International business practice, culture and ethics
19. Where accountants operate in international businesses, a tolerance of different business practices may invoke ethical threats. For example, where commissions are commonplace in business practice, accountants must be able to possess a clear understanding of professional responsibilities and liability threats.
 20. Multinational firms are uniquely at risk from variations in ethical perceptions across nations. They are dependent on the judgment, norms and standards of their staff in each country. It is not unreasonable to expect that cultural factors may influence ethical beliefs and attitudes. Therefore, individuals from different cultures have distinct conceptions of what are ethical and unethical behaviors, and in turn, influence ethical decision-making.
 21. Professional accountants may not be fully sensitized to international and cultural differences, and thus they need to understand the trends of globalization and cultural diversity in order to cope effectively with the pressures of the global market. Accountants must be conscious of the practices of other cultures and to instill a greater understanding and sensitivity to the cultural factors underlying differences.

Survey 1 instrument

IFAC ETHICS EDUCATION RESEARCH PROJECT

Survey of member bodies

SECTION A: DETAILS OF MEMBER BODIES

Full name of member body

Please select a position which best describes your role in the member body by placing a cross [X] in the appropriate box.

- Chief Executive
 - Chief Operating Officer
 - Chief Technical personnel
 - Chief Education personnel
 - Other: please specify
-

Note: For the purposes of clarity and consistency in completing this survey, the following definitions are used:

ETHICS EDUCATION: means a systematic process, including training, aimed at developing knowledge, skills, and other capabilities in relation to professional values, ethics and attitudes.

ENTRY LEVEL: means the level at which an individual seeks to begin a program of professional education leading to membership of an IFAC member body.

PRE-QUALIFYING LEVEL: means the period before qualification as an individual member of an IFAC member body.

POST-QUALIFYING LEVEL: means the period after qualification as an individual member of an IFAC member body.

SECTION B: ETHICS IN PRE-QUALIFYING SYSTEMS

- 1 Please indicate the typical minimum *entry* requirement for undertaking the *pre-qualifying programs* of your member body from the list provided: (Please cross [X] one only).
- Completion of secondary education only
 - University entrance qualification
 - Post-secondary college program
 - University undergraduate degree
 - University postgraduate degree
2. Does your member body have a *policy* regarding the development of professional ethics, values and attitudes at the *entry* level? (Please cross [X] one)
- Yes
 - No
3. From the options provided, which *best* describes the professional ethical requirements of your body at the *entry* level? [Please cross [X] one only]
- Approval of /accrediting programs such as university degree courses
 - Completion of workshops/seminars on ethics
 - Circulation of member body's professional code of ethics/conduct
 - Assumed within the applicant's personal development
 - None of the above
- 4 Please indicate the *pre qualifying* education program requirements, if any, that must be completed by your members. [Please cross [X] one only]
- Professional Examinations set by the professional body only
 - Professional Examinations and other assessment tasks controlled by the professional body
 - Approved post-graduate studies
 - No further formal education is required.
 - Other requirements: Please specify below.
-
- 5 Please indicate from the list provided, the professional experience requirements (if any) for your member body's professional qualification. [Please cross [X] one only]
- 3-years employment in accounting, finance or related areas
 - 3-years employment in a specified accounting service area (e.g., audit)
 - An unspecified period of employment in accounting, finance or related area
 - An unspecified period of employment in any approved business service area
 - No professional experience is required
 - Other form/s of professional experience: Please specify below.
-

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6 Does your member body have a *policy* for the development of professional ethics, values and attitudes at the *pre-qualifying* level? [Please cross [X] one only]

Yes

If “Yes” go to Question 7 (i.e. next question)

No

If “No” go to Question 12

7 From the options provided, which *best* describes the elements of professional ethics education requirements at the *pre-qualifying* level required by your professional body? (Please cross [X] one only)

Ethics is integrated in the program (Continue to Question 8)

One or more units/topics are dedicated to ethics (Go to Question 9)

8 Where ethics education is integrated in the *pre-qualifying* level, please indicate the approximate extent of ethics inclusion: (Please cross [X] one only)

More than 10 per cent (Go to Question 10)

10 per cent or less (Go to Question 11)

9 Where one or more units/topics are dedicated to ethics, please indicate the level of importance of each of the following areas: (Please cross [X] one box on each line)

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

		Not important		Very important	
		↓		↓	
a.	Ethical and moral development theories	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	Rule-based frameworks for ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c.	Principle-based frameworks for ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	Ethical issues in financial services (e.g. financial reporting, auditing and assurance services)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	Factors that influence organizational behavior and corporate governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f.	Factors that influence individual ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	Ethical codes and professional guidance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	Standards of technical competency to achieve professional integrity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i.	Other (please specify) _____				

(Continue to Question 13)

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10. Where ethics education is *more than 10%* of the syllabi please indicate the level of importance of each of the following topics: (Please cross [X] one box on each line)

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

		Not important ↓			Very important ↓
a.	Ethical and moral development theories	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	Rule-based frameworks for ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c.	Principle-based frameworks for ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	Ethical issues in financial services (e.g. financial reporting, auditing and assurance services)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	Factors that influence organizational behavior and corporate governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f.	Factors that influence individual ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	Ethical codes and professional guidance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	Standards of technical competency to achieve professional integrity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i.	Other (please specify)_____				

(Continue to Question 13)

11. Where ethics education is *10% or less* of the syllabi, please indicate the level of importance of each of the following topics: (Please cross [X] one box on each line)

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

		Not Important ↓			Very important ↓
a.	Ethical and moral development theories	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	Rule-based frameworks for ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c.	Principle-based frameworks for ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	Ethical issues in financial services (e.g. financial reporting, auditing and assurance services)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	Factors that influence organizational behavior and corporate governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f.	Factors that influence individual ethical behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	Ethical codes and professional guidance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	Standards of technical competency to achieve professional integrity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i.	Other (please specify)_____				

(Continue to Question 13)

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12. Since ethics education is not specifically required as indicated by your response to Question 6, which of the following policies is/are applicable to the professional program offered by your professional body: [cross [X] as appropriate]
- Other forms of attribute tests are required before admission (e.g. a satisfactory character reference) []
 - Members are required to attend ethics workshops run by this professional body []
 - Ethics seminars are promoted to members []
 - Ethics training is required of members []
 - No specific ethics education is required before admission []
 - Ethics is assumed within the general education process []
 - Ethics is assumed as part of personal maturity []
 - Ethics is a development at post-qualifying stage []
 - The development of ethics for an individual is outside the role of the member body. []

SECTION C: ETHICS IN POST-QUALIFYING PROGRAMS

13. From the options provided, please indicate which *best* describes the *post-qualifying* ethics development required by your professional body: [Please cross [X] *one* box only]
- [] Continuing Professional Development must include a certain number of hours or percentage of ethics education/training
 - [] Ethics is not specified as required Continuing Professional Development
 - [] Ethics development is generally encouraged only

14. From the options listed, indicate how your member body supports members to undertake ethics development at *post-qualification* level: (Please cross [X] one box on each line)
(Note: 1 = Not required; 2 = Encouraged; 3 = Compulsory)

	1	2	3
	↓		↓
• Undertake ethics courses run by the member body	[]	[]	[]
• Review ethics articles featured in the member body's professional journal	[]	[]	[]
• Participate in discussion groups on specific ethics topics	[]	[]	[]
• Access online materials devoted to ethics development and training	[]	[]	[]
• Apply for sponsored awards and scholarships to undertake ethics research.	[]	[]	[]
• Other (please specify) _____			

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SECTION D: PERCEPTIONS OF ETHICS EDUCATION

15. Please indicate your agreement or disagreement with each statement as follows: (Please cross [X] one box on each line)

[Note: 1 = Strongly disagree, 2 = Disagree; 3 = Agree; 4 = Strongly agree]

	Strongly disagree ↓			Strongly agree ↓
• Professional ethics development is a significant role of the professional accounting body	[]	[]	[]	[]
• Ethics should be learned just like any other technical skills required of the accountant	[]	[]	[]	[]
• Ethics should be learned as part of the general education prior to <i>entry</i> level	[]	[]	[]	[]
• Ethics should be learned as part of the <i>pre-qualifying</i> programs	[]	[]	[]	[]
• Ethics can only be learned in the workplace	[]	[]	[]	[]
• Ethics should be learned as a compulsory foundation unit in <i>pre-qualifying</i> programs	[]	[]	[]	[]
• Ethics should be learned as a dedicated unit in <i>pre-qualifying</i> programs	[]	[]	[]	[]
• Ethics should be integrated within other relevant units of study in a pre qualifying program.	[]	[]	[]	[]
• Ethics should be a dedicated unit AND also integrated within other units of studies in pre qualifying	[]	[]	[]	[]
• The professional body should not prescribe the nature of ethics education for accountants	[]	[]	[]	[]

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16. Please indicate from the list provided, your agreement or disagreement regarding the *objectives* of ethics education. (Cross [X] as appropriate)

[Note: 1 = Strongly disagree, 2 = Disagree; 3 = Agree; 4 = Strongly agree]

	Strongly disagree			Strongly agree
	↓			↓
The objectives of ethics education should be:				
• To develop a sense of ethical responsibility for future accountants	[]	[]	[]	[]
• To improve the moral standards and attitudes of future accountants	[]	[]	[]	[]
• To sensitize and deepen accounting students' understanding of ethical issues	[]	[]	[]	[]
• To develop problem solving skills that have ethical implications	[]	[]	[]	[]
• To develop a sense of professional responsibility or obligations	[]	[]	[]	[]
• To develop knowledge and understanding of the IFAC Code of Ethics	[]	[]	[]	[]
• As a response to the public calls for greater ethics education in the accounting curriculum	[]	[]	[]	[]

17. Please indicate the extent to which you agree/disagree with the following statements concerning ethics education: (Please cross [X] one box on each line)

[Note: 1 = Strongly disagree, 2 = Disagree; 3 = Agree; 4 = Strongly agree]

	Strongly disagree			Strongly agree
	↓			↓
• Moral standards of students are fully developed and cannot be changed or improved with ethics in accounting education	[]	[]	[]	[]
• There is a lack of qualified or specifically trained ethics educators in accounting and related disciplines	[]	[]	[]	[]
• Good ethics education means requiring students to think critically before making decisions that have ethical implications	[]	[]	[]	[]
• Accounting educators are reluctant to be involved in ethics education due to a lack of opportunities and incentives	[]	[]	[]	[]
• There is a lack of reference material (books and cases) specific to accounting and ethics	[]	[]	[]	[]
• It is difficult to teach ethics because of its nature	[]	[]	[]	[]
• Ethics should be learned as a life-long development	[]	[]	[]	[]
• Members only need to be taught the rules of ethical behavior	[]	[]	[]	[]
• There are insufficient resources and guidance to teach ethics	[]	[]	[]	[]
• Ethics is too religiously and culturally sensitive, and hence it is hard to teach	[]	[]	[]	[]

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

18. Based on your experience and knowledge in your current position, please indicate from the list provided, the way in which ethical skills should be assessed: [Cross [X] as appropriate]
- Written exams
 - Completion of appropriate case studies
 - Professional development activities
 - Specific training programs
 - Completion of workplace competency check lists
 - Other (please specify)
-

- 19 Please indicate the extent to which the following ethical issues are likely to occur in **public accounting practice**: (Please cross [X] one box on each line)

[Note: 1 = Not likely; 2 = Somewhat likely; 3 = Likely; 4 = Very likely]

	Not Likely ↓			Very likely ↓
• Conflicts of interest including self-interest threats (e.g., loss of fees or salaries and bonuses)	[]	[]	[]	[]
• Self-review threats (e.g., checking one's own performance)	[]	[]	[]	[]
• Client and management advocacy (e.g., empire building)	[]	[]	[]	[]
• Familiarity threats (e.g., a long period of involvement leading to loss of objectivity)	[]	[]	[]	[]
• Intimidation threats (e.g. threat of dismissal)	[]	[]	[]	[]
• Earnings management issues (e.g., manipulating accruals to achieve desired profit)	[]	[]	[]	[]
• Competency issues	[]	[]	[]	[]
• Fraudulent activities	[]	[]	[]	[]
• Whistle blowing issues	[]	[]	[]	[]

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
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20. Please indicate the extent to which the following ethical issues are likely to occur in **business entities**: (Please cross [X] one box on each line)

[Note: 1 = Not likely; 2 = Somewhat likely; 3 = Likely; 4 = Very likely]

	Not Likely ↓			Very likely ↓
• Conflicts of interests including self-interest threats (e.g., loss of fees or salaries and bonuses)	[]	[]	[]	[]
• Self-review threats (e.g., checking one's own performance)	[]	[]	[]	[]
• Client and management advocacy (e.g., empire building)	[]	[]	[]	[]
• Familiarity threats (e.g., a long period of involvement leading to loss of objectivity)	[]	[]	[]	[]
• Intimidation threats (e.g. threat of dismissal)	[]	[]	[]	[]
• Earnings management issues (e.g., manipulating accruals to achieve desired profit)	[]	[]	[]	[]
• Competency issues	[]	[]	[]	[]
• Fraudulent activities	[]	[]	[]	[]
• Whistle blowing issues	[]	[]	[]	[]

21. Please indicate the extent to which the following ethical issues are likely to occur within the **government or not-for-profit sectors**: (Please cross [X] one box on each line)

[Note: 1 = Not likely; 2 = Somewhat likely; 3 = Likely; 4 = Very likely]

	Not Likely ↓			Very likely ↓
• Conflicts of interests including self-interest threats (e.g., loss of fees or salaries and bonuses)	[]	[]	[]	[]
• Self-review threats (e.g., checking one's own performance)	[]	[]	[]	[]
• Client and management advocacy (e.g., empire building)	[]	[]	[]	[]
• Familiarity threats (e.g., a long period of involvement leading to loss of objectivity)	[]	[]	[]	[]
• Intimidation threats (e.g. threat of dismissal)	[]	[]	[]	[]
• Earnings management issues (e.g., manipulating accruals to achieve desired profit)	[]	[]	[]	[]
• Competency issues	[]	[]	[]	[]
• Fraudulent activities	[]	[]	[]	[]
• Whistle blowing issues	[]	[]	[]	[]

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
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22. Based on your experience in accounting, please indicate the likelihood of the following factors contributing to ethical failures: (Please cross [X] one box on each line)

[Note: 1 = Not likely; 2 = Somewhat likely; 3 = Likely; 4 = Very likely]

	Not Likely ↓			Very likely ↓
• Self interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Failure to maintain objectivity and independence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Failure to withstand advocacy threats	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Lack of competence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Lack of ethical sensitivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Failure to make professional judgment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Lack of professional body's support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Lack of organizational and peer support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Improper leadership and ill-culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

23. Please indicate the level of importance of each of the following topics for Continuing Professional Development in fostering professional values, ethics and attitudes in accountants: (Please cross [X] one box on each line)

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

	Not Important ↓			Very important ↓
• Issues of conflicts of interest, such as self interest and self review threats	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Issues of ethical threats and safeguards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Earnings management issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Issues of technical competency and judgment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Ethical decision-making skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Forensic accounting and auditing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Whistle blowing issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
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24. In the space below, please comment on the **plans** (if any, at this stage) that your member body has for the implementation of International Education Standard 4 *Professional values, ethics and attitudes* to be effective from 2005.

25. In the space below, please comment on the **issues** (if any) that will impact on your member body's implementation in 2005 of the International Education Standard (4) *Professional values, ethics and attitudes*.

Thank you for your kind co-operation in completing the survey.

Survey 2 instrument

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) ETHICS EDUCATION RESEARCH PROJECT

Ethics Education Survey

This global survey is being sent to key accounting and finance personnel in public practice, industry, government, education and other relevant organizations. Your participation is extremely important to help shape the framework for ethics education for accountants throughout the world. For the purposes of clarity and consistency in completing this survey, the following definitions are used:

ETHICS EDUCATION: means a systematic process of learning, including training, aimed at developing knowledge, skills, and other capabilities in relation to professional values, ethics and attitudes.

PRE-QUALIFYING LEVEL: as defined in the International Education Standards Framework, is the period before qualification as an individual member of an IFAC member body.

POST-QUALIFYING LEVEL: as defined in the International Education Standards Framework, is the period after qualification as an individual member of an IFAC member body.

SECTION A: ETHICS EDUCATION – OBJECTIVES AND CONTENT

1. Please indicate your level of agreement or disagreement with the following statements about the objectives of ethics education in accounting at the **pre-qualifying** level. (Please place a cross [X] in the appropriate box)

[Note: 1 = Strongly disagree, 2 = Disagree; 3 = Agree; 4 = Strongly agree]

	Strongly disagree ↓			Strongly agree ↓
The objectives of ethics education at pre-qualifying level should be to:				
(a) develop a sense of ethical responsibility in future accountants	[]	[]	[]	[]
(b) develop a sense of ethical responsibility in citizens	[]	[]	[]	[]
(c) improve the ethical standards and attitudes of future accountants	[]	[]	[]	[]
(d) sensitize students' understanding of ethical issues in accounting	[]	[]	[]	[]
(e) develop resolution skills in dealing with ethical dilemmas	[]	[]	[]	[]
(f) develop knowledge and understanding of ethics in general, including corporate codes	[]	[]	[]	[]
(g) develop knowledge and understanding of the professional code of ethics (IFAC Code of Ethics)	[]	[]	[]	[]
(h) respond to public calls for greater ethics education in accounting	[]	[]	[]	[]
(i) develop students' ability to face ethical dilemmas in a simulated environment	[]	[]	[]	[]
(j) appreciate the importance of applying strong ethical values as a professional accountant	[]	[]	[]	[]
(k) develop students' life-long learning skills	[]	[]	[]	[]
(l) other please specify				

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
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2. Please indicate the level of importance you consider should be placed on the following topics in **pre-qualifying** accounting programs. (Please place a cross [X] in the appropriate box)

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

	Not important		Very important	
	1	2	3	4
(a) Ethical and moral development theories	[]	[]	[]	[]
(b) Rule-based frameworks for ethical behavior (e.g. Enforcing compliance of a prescriptive set of rules)	[]	[]	[]	[]
(c) Principle-based frameworks for ethical behavior (e.g. Instilling understanding of principles and practice)	[]	[]	[]	[]
(d) The nature and causes of ethical dilemmas related to accounting (e.g. financial reporting, auditing and assurance services)	[]	[]	[]	[]
(e) Factors that influence organizational culture	[]	[]	[]	[]
(f) Corporate governance	[]	[]	[]	[]
(g) Factors that influence individual ethical behavior	[]	[]	[]	[]
(h) Ethical codes and professional guidance	[]	[]	[]	[]
(i) Professional skills and competency	[]	[]	[]	[]
(j) Legal and compliance framework	[]	[]	[]	[]
(k) Methods to translate ethical values to business settings	[]	[]	[]	[]
(l) The ethical dimension and value systems of social life in a cultural diverse environment	[]	[]	[]	[]
(m) Other (please specify)				

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

3. Please indicate your level of agreement or disagreement with the following statements regarding ethics education at **post-qualifying** level. (Please place a cross [X] in the appropriate box)

[Note: 1 = Strongly disagree, 2 = Disagree; 3 = Agree; 4 = Strongly agree]

	Strongly disagree			Strongly agree
	1	2	3	4
The objectives of ethics education in accounting at post-qualifying level should be:				
(a) To help accountants manage ethical dilemmas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) To maintain accountants' ethical standards and attitudes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) To support and deepen accountants' understanding of professionalism and the public interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) To develop skills in ethical judgment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) To develop the courage to withstand ethical dilemmas which may compromise their integrity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f) To reinforce practice consistent with the professional code of ethics (or IFAC Code of Ethics)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(g) To regain public confidence in accounting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) To help accountants choose ethical priorities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(i) To appreciate the importance of learning ethics in the workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(j) Any other objectives: please specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
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4. Please indicate, in your opinion, the level of importance that should be placed on each of the following topic areas to be covered in **post-qualifying** programs: (Please place a cross [X] in the appropriate box).

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

	Not important		Very important	
	1	2	3	4
(a) Ethical and moral development theories	[]	[]	[]	[]
(b) Rule-based frameworks for ethical behavior (e.g. Enforcing compliance of a prescriptive set of code)	[]	[]	[]	[]
(c) Principle-based frameworks for ethical behavior (e.g. Instilling understanding of principles and practice)	[]	[]	[]	[]
(d) The nature and causes of ethical dilemmas related to accounting (e.g. financial reporting, auditing and assurance services)	[]	[]	[]	[]
(e) Factors that influence organizational culture	[]	[]	[]	[]
(f) Corporate governance	[]	[]	[]	[]
(g) Factors that influence individual ethical behavior	[]	[]	[]	[]
(h) Ethical codes and professional guidance	[]	[]	[]	[]
(i) Professional skills and competency	[]	[]	[]	[]
(j) Legal and compliance framework	[]	[]	[]	[]
(k) Developing ethical courage and leadership	[]	[]	[]	[]
(l) Ethical competence in recognizing ethical threats in organizations	[]	[]	[]	[]
(m) The ethical dimension and value systems of social life in a cultural diverse environment	[]	[]	[]	[]
(n) Other (please specify)				

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

SECTION B: ETHICS EDUCATION - DELIVERY

5. In your opinion, how suitable are the following ways of delivering ethics education in accounting at either **pre-qualifying** level or **post-qualifying** level. (Please place a cross [X] in the appropriate box)

[Note: 1 = most unsuitable , 2 = unsuitable; 3 = suitable; 4 = most suitable]

	Most unsuitable		Most suitable	
	1	2	3	4
(a) A separate and required ethics subject within the formal pre-qualifying accounting education program	[]	[]	[]	[]
(b) A separate but optional ethics subject offered within the formal pre-qualifying accounting education program	[]	[]	[]	[]
(c) Ethics material integrated in key areas within accounting education programs for both pre-qualifying and post-qualifying levels	[]	[]	[]	[]
(d) Ethics should be learned using				
• Hypothetical case studies and analysis	[]	[]	[]	[]
• Role playing	[]	[]	[]	[]
• Analysis of actual / corporate cases and investigative reports	[]	[]	[]	[]
• Disciplinary proceedings and the Code of Ethics	[]	[]	[]	[]
• Mentoring and self learning systems	[]	[]	[]	[]
• Discussions of philosophical issues in life	[]	[]	[]	[]
• Using experts including clergy and professionals	[]	[]	[]	[]
• Video training using actual fraud cases	[]	[]	[]	[]
• Writing reflective journals	[]	[]	[]	[]

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

SECTION C: PERCEPTIONS OF ETHICS EDUCATION

6. Please indicate the extent to which you agree/disagree with the following statements concerning ethics education: (Please place a cross [X] in the appropriate box)

[[Note: 1 = Strongly disagree, 2 = Disagree; 3 = Agree; 4 = Strongly agree]

	Strongly disagree			Strongly agree
	1	2	3	4
(a) Moral standards of students are fully developed and cannot be changed or improved with ethics education	[]	[]	[]	[]
(b) There is a lack of qualified or specifically trained ethics educators in accounting and related disciplines.	[]	[]	[]	[]
(c) Good ethics education means requiring accountants/students to think critically before making decisions that have ethical implications	[]	[]	[]	[]
(d) Accounting educators are reluctant to be involved in ethics education due to a lack of opportunities and incentives	[]	[]	[]	[]
(e) There is a lack of reference material (books and cases) specific to accounting and ethics	[]	[]	[]	[]
(f) It is difficult to teach ethics because of its nature	[]	[]	[]	[]
(g) Ethics courses should be presented by accounting educators and Ethics educators operating as a team	[]	[]	[]	[]
(h) Ethics is better learned through life experience and development	[]	[]	[]	[]
(i) Accountants only need to learn the rules of ethical behavior	[]	[]	[]	[]
(j) There is insufficient guidance to teach ethics	[]	[]	[]	[]
(k) Ethical courage is needed to translate ethical values into action	[]	[]	[]	[]
(l) Ethical behavior in organizations can only be maintained where leaders model ethical behavior and set the right tone from the top	[]	[]	[]	[]
(m) Ethics is too religiously and culturally sensitive, and hence it is better to avoid teaching it	[]	[]	[]	[]
(n) Ethical standards are universal and should be learned by accountants irrespective of the cultural environment	[]	[]	[]	[]

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

7. In your opinion how suitable are the following methods in assessing ethical skills?
[Please place a cross [X] in the appropriate box]

[Note: 1 = Most unsuitable, 2 = Unsuitable; 3 = Suitable; 4 = Most suitable]

	Most unsuitable		Most suitable	
	1	2	3	4
(a) Written formal examinations	[]	[]	[]	[]
(b) Multiple choice or other objective tests	[]	[]	[]	[]
(c) Case study analysis	[]	[]	[]	[]
(d) Formal presentations	[]	[]	[]	[]
(e) Completing professional development activities	[]	[]	[]	[]
(f) Completing specific training programs	[]	[]	[]	[]
(g) Completion of workplace competency check lists	[]	[]	[]	[]
(h) Videoed case analysis	[]	[]	[]	[]
(i) Completion of reflective learning journals	[]	[]	[]	[]
(j) Other (please specify)	[]	[]	[]	[]

8. Please indicate the extent to which you believe the following ethical issues are likely to occur in an organization. (Please place a cross [X] in the appropriate box)

[Note: 1 = Not likely; 2 = Somewhat likely; 3 = Likely; 4 = Very likely]

	Not Likely	2	3	Very likely
	1			4
(a) Conflicts of interest including self-interest threats (e.g., loss of fees or salaries and bonuses)	[]	[]	[]	[]
(b) Self-review threats (e.g., checking one's own performance)	[]	[]	[]	[]
(c) Client and management advocacy (e.g., empire building)	[]	[]	[]	[]
(d) Familiarity threats (e.g., a long period of involvement leading to loss of objectivity)	[]	[]	[]	[]
(e) Intimidation threats (e.g. favoritism, threat of dismissal)	[]	[]	[]	[]
(f) Earnings management issues (e.g., manipulating accruals to achieve desired profit)	[]	[]	[]	[]
(g) Competency issues	[]	[]	[]	[]
(h) Fraudulent activities	[]	[]	[]	[]
(i) Attitudes towards, protection and rights of whistleblowers	[]	[]	[]	[]
(j) Discrimination	[]	[]	[]	[]
(k) Creating a hostile working environment	[]	[]	[]	[]
(l) Bribery and corruption	[]	[]	[]	[]
(m) Others; please specify	[]	[]	[]	[]

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

9. Based on your experience, please indicate the likelihood of the following factors contributing to ethical failures: (Please place a cross [X] in the appropriate box)

[Note: 1 = Not likely; 2 = Somewhat likely; 3 = Likely; 4 = Very likely]

	Not Likely			Very likely
	1	2	3	4
(a) Self interest	[]	[]	[]	[]
(b) Failure to maintain objectivity and independence	[]	[]	[]	[]
(c) Failure to withstand advocacy threats	[]	[]	[]	[]
(d) Lack of competence	[]	[]	[]	[]
(e) Lack of ethical sensitivity	[]	[]	[]	[]
(f) Failure to make professional judgment	[]	[]	[]	[]
(g) Lack of professional body's support	[]	[]	[]	[]
(h) Lack of organizational and peer support	[]	[]	[]	[]
(i) Improper leadership and ill-culture	[]	[]	[]	[]
(j) Lack of ethical courage to do what is right	[]	[]	[]	[]

10. In your opinion how important are the following specific accounting issues for inclusion in Continuing Professional Development programs to foster professional values, ethics and attitudes in accountants: (Please place a cross [X] in the appropriate box)

[Note: 1 = Not important; 2 = Some importance; 3 = Important; 4 = Very important]

	Not important			Very important
	1	2	3	4
(a) Issues of conflicts of interest, such as self interest and self review threats	[]	[]	[]	[]
(b) Issues of ethical threats and safeguards	[]	[]	[]	[]
(c) Earnings management issues	[]	[]	[]	[]
(d) Issues of technical competency and judgment	[]	[]	[]	[]
(e) Ethical decision-making skills	[]	[]	[]	[]
(f) Forensic accounting and auditing	[]	[]	[]	[]
(g) Whistleblowing of accounting irregularities	[]	[]	[]	[]

SECTION D: DEMOGRAPHIC INFORMATION

11. Please select below that which best describes your current role / position by placing a cross [X] in the MOST appropriate box.

- Chief Executive/General Manager
 - Chief Financial Officer/Accountant NOT in public practice
 - Chief Human Resources Manager/Recruitment Officer
 - Accounting Educator
 - Accounting Educator with a special interest in ethics research
 - Accountant in public practice (e.g. external auditor)
 - An ethics and humanitarian institution / service provider
 - Other: please specify
-

12. Which of the following best describes your field of employment? Please place a cross [X] in the most appropriate box.

- International accounting firm
 - National accounting firm
 - Regional accounting firm
 - Multinational business enterprise
 - National business enterprises
 - Small and medium size business
 - Public sector organization
 - Education
 - Other: please specify
-

13. In which country do you mainly practice /operate? Please specify.

14. Please indicate your age and gender by placing a cross [X] in the appropriate box:

- | | |
|--------------------------------------|---------------------------------|
| <input type="checkbox"/> 30 or below | <input type="checkbox"/> Male |
| <input type="checkbox"/> 31 to 45 | <input type="checkbox"/> Female |
| <input type="checkbox"/> 46 to 55 | |
| <input type="checkbox"/> Above 55 | |

15. In the space below, please provide any additional comments regarding ethics education for accountants at pre-qualifying and post-qualifying levels.

Appendix 4

Focus Group Discussion Questions

Question 1: Are you an accounting practitioner, educator, researcher or representative of a professional accounting body?

Question 2: What country do you come from?

Question 3: What ethics education, if any, is required by your professional accounting body?

Question 4: What do you think should be the aim of ethics education for accountants?

Question 5: What in your view is the best approach to teaching ethics in accounting?

Question 6: What sort of topics should be included in an accounting ethics education course?

Question 7: What do you think are appropriate ways of teaching ethics in accounting?

Question 8: What type of resources do you think should be made available to implement ethics education?

Question 9: From your viewpoint, what problems do you see in implementing an ethics education program/s in accounting?

Question 10: Is culture an important aspect of ethics education?

Interview Questions

IFAC ETHICS EDUCATION PROJECT INTERVIEW TOPICS

Perceptions of Ethics Education and Development

- Role of a Professional body
- Comment on the current pre-qualifying programs including university programs in general, and in particular, the accounting curriculum, with particular emphasis of how such programs may or may not help in the ethical development of an individual
- Ethical competence as compared with technical competence
- Why and what sort of ethics education (theoretical / practical, dilemmas discussions, etc.) are useful for pre- and post-qualifying stages for a profession.
- How should ethics be taught, and who should teach it in the case of accounting.

Perceived Issues of Ethics Education

- Perceived cultural, religious, contextual, institutional and geographical issues of ethics education and development programs at pre- and post-qualifying programs

Preferred Frameworks

- What structure best suited for a professional body – both pre and post qualification programs.
- What do you think the accounting profession body will need to do in order to incorporate ethics education and development programs?
- What sort of guidelines will be required by your professional body?

Overall Comments

List of Participants - Survey 1

Albanian Institute of Authorized Chartered Auditors
Arab Society of Certified Accountants
Association of Accounting Technicians (AAT)
Certified General Accountants' Association of Canada
Chamber of Hungarian Auditors
CMA Canada
Conselho Federal de Contabilidade (CFC)
Consiglio Nazionale dei Dottori Commercialisti
Consiglio Nazionale dei Ragionieri Commercialisti ed Economisti d'Impresa
Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR)
CPA Australia
Estonian Auditing Board
Expert Accountants' Association of Turkey
Félag Löggiltra Endurskodenda, FLE
Fiji Institute of Accountants
Foreningen af Statsautoriserede Revisorer
Foreningen Registrerede Revisorer FRR
Georgian Federation of Professional Accountants and Auditors
Institut der Wirtschaftsprüfer in Deutschland e.V.
Institut des Réviseurs d'Entreprises
Institute of Accountants and Auditors of Montenegro
Institute of Certified Public Accountants in Israel
Institute of Certified Public Accountants of Singapore
Institute of Chartered Accountants of Namibia
Institute of Chartered Accountants of New Zealand
Institute of Commercial and Financial Accountants of Southern Africa
Instituto de Censores Jurados de Cuentas de España (I.C.J.C.E.)
Koninklijk Nederlands Instituut van Registeraccountants (Royal NIVRA)
Korean Institute of Certified Public Accountants
Latvian Chamber of Certified Auditors
Lesotho Institute of Accountants
Lithuanian Chamber of Auditors
Malaysian Institute of Accountants
Malaysian Institute of Certified Public Accountants
Mongolian Institute of Certified Public Accountants (MonICPA)
National Association of State Boards of Accountancy
National Board of Accountants and Auditors (NBAA) Tanzania
Pakistan Institute of Public Finance Accountants (PIPFA)
Philippine Institute of Certified Public Accountants
Serbian Association of Accountants and Auditors
Society of Certified Accountants and Auditors of Kosovo (SCAAK)

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
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The Association of Chartered Certified Accountants
The Canadian Institute of Chartered Accountants
The Chamber of Auditors of Azerbaijan Republic
The Chartered Institute of Management Accountants (CIMA)
The Chartered Institute of Public Finance and Accountancy
The Chinese Institute of Certified Public Accountants (CICPA)
The Egyptian Society of Accountants & Auditors
The Institute of Certified Accountants and Auditors of Thailand
The Institute of Certified Public Accountants in Ireland
The Institute of Certified Public Accountants of Cyprus
The Institute of Chartered Accountants in Australia
The Institute of Chartered Accountants in England & Wales
The Institute of Chartered Accountants in Ireland
The Institute of Chartered Accountants of Scotland
The Institute of Chartered Accountants of Trinidad & Tobago
The Institute of Cost and Works Accountants of India
The Institute of Internal Auditors
The Institute of Professional Accountants of Russia
The Japanese Institute of Certified Public Accountants
The Society of Accountants in Malawi
The South African Institute of Chartered Accountants
Ukrainian Federation of Professional Accountants and Auditors
Union of Accountants of the Czech Republic
Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB)
Wirtschaftsprüferkammer (WPK)

List of Participants - Interviews

Steve Albrecht
Ibrahim Shahul Hameed Bin
Georgina Chan
Joseph Chan
Juan Carlos Cincotta
Gary Fowler
Ndungu Gathinji
Hasnah Haron
Ann Johns
Hu Jia Jun
Rita Liaw
Simon Longstaff
Ken McPhail
Lorena Mitrione
Doug Oxley
Larry Ponemon
Greg Pound
Martin Prozesky
Julian Rose
Yusuf M. Siddiqi
Tang Yun Wei
Zhang Wei-Guo
Sun Yong
Yang Zhiguo

Appendix 6.3

List of Participants - Focus Groups

Syed Agil	Graham Gordon	Dato Abdul Mohyiddin
Mark Allison	Vinitha Gupta	Tak Kon Moon
Richard Anderson	Zheng Haiying	Clare Morley
Jan Babbington	Noel Harding	Simon Morris
Casey Barnett	Christine Hellier	David Mortlock
Christian Bauch	Kazuo Hiramatsu	Neale O'Conner
Rebecca Bazeley	Richard Ho	Recep Pekdemir
Sebastian Bombaci	Simon Ho	Mark Protherough
Carol Cairney	Anna Hughes	Sheila Robinson
Christopher Campbell	David Hunt	Jim Routledge
Samuel Chan	Bin Ibrahim	Zheng Shimin
Gerald Chau	Robert Jelly	Chris Shrubsole
Paul Chen	Liu Jian	Shazwan Shukor
Pu Chen	Vivian Jiang	Jane Skinner
Lynne Chow	Anthony H C Kam	Charles Smith
John Chu	Laine Katzin	Muriel Sprott
Rany Chung	Zhang Ke	Vivian Sun
Brian Clarke	Martin Kelly	Eleni Tryhponas
Simon Coad	Tan Shook Kheng	Judy Tsang
Anna Coen	Lawrence Lau	Ko Chee Wai
Simon Conte	Mei Ling Lean	Alex Wong
Mike Cox	William Lee	Brossa Wong
Steven Cui	Joe Lesejane	Thomas Wong
Catherine Deng	Simon Leung	James Woodward
Allen Drew	Hilary Lofthouse	Qioun Wu
Stephanie Chong Li Fah	Libo Ma	Zhang Xinmin
Malcolm Ferguson	Steve McGregor	Joseph Yau
Richard Francis	Shobini Mahendra	Patrick Yeung
Giuseppe Galassi	Clare Minchington	Chuck Zhang
Michael George	Mahfudzah Mohamed	

Literature on the ethics coverage in the qualifying programs of some non-accounting disciplines

Ethics in Engineering

In the past 50 years, there has been a growing awareness of obligations to stakeholders other than Charles Smith clients and employers. This increasing recognition initially began with safety issues but then extended to other issues such as health and well-being of the general public, environmental pollution, the exhausting of natural resources, sustainability and human rights (Zandvoort et al., 2000). However, engineering ethics education did not gain momentum until the late 1990s where increasing recognition of ethics in engineering has been spurred on in part by the political controversy over nuclear weapons, environmental quality and consumer rights (Herkert, 2001/2002). The notion of professional ethics in engineering is typically described (by Schinzinger, 1996 cited in Herkert, 2000, p. 304) as ‘...the creation of useful and safe technological products while respecting the autonomy of clients, and the public, especially in matters of risk-taking’. Zandvoort et al. (2000) similarly views ethics in engineering as the conflict between the loyalty and legally enforced responsibility of the employer on the one hand, and the obligations to the public. According to Kline (2001/2002) major ethical issues in engineering ethics involve both professional conduct and wider social implications of engineering. They include:

- Public safety and welfare
- Risk and the principle of informed consent
- Conflicts of interest
- Whistle-blowing
- Trade secrets
- Accepting gifts

In engineering, courses on ethics are often irregular and their integration into the engineering curricula is poor (Porra, 2000; Didier, 2004). According to Herkert (2000, p.303) “.....nearly 80% of engineering graduates attend schools that do not have an ethics-related course requirement for all students”. Engineering ethics education is a recent phenomenon with only a few prominent universities offering required courses in ethics to its students (Herkert, 2001/2002). In general, schools of engineering do not have formal positions on ethics education and lack regular financing for such courses. The problem is exacerbated when one considers the number of professional ethics educators in the SEFI (European Society for Engineering Education) community is small.

The goals of teaching ethics continue to be debated but there is general agreement on sought after outcomes. According to Herkert (2000), they include:

- increased ethical sensitivity;
- increased knowledge of relevant standards of conduct;

APPROACHES TO THE DEVELOPMENT AND MAINTENANCE OF PROFESSIONAL
VALUES, ETHICS AND ATTITUDES IN ACCOUNTING EDUCATION PROGRAMS

- improved ethical judgment; and
- improved will-power to act ethically.

Didier (2004) similarly states that there are three major objectives of an ethics course in engineering, which include:

- to make engineering students aware of their future responsibilities;
- to help them realise to what extent they can find some degree of freedom within the institutions in which they will work; and
- to enable them to strengthen their moral convictions by means of moral discussion.

The pedagogical framework of engineering ethics education has evolved primarily toward the utilization of case studies and the code of ethics (Herkert, 2000). The use of case studies are central to the teaching of ethics (Didier 2004). They help students learn about safety issues and the complex relationships among the many stakeholders in the developmental process, such as design engineers, subcontractors and government regulatory bodies.

Ethics in law

According to McCaffrey (2002), the win-at-all-cost mentality by legal practitioners has direct implications for public perception of the legal profession that appears to say anything to advance their case. The public have subsequently raised a number of ethical concerns regarding lawyers, which include:

- questions about the honesty of the legal profession;
- the level of ethics is sometimes ranked lower than other professions including medical practitioners and business executives;
- lawyers are perceived by the public as charging more than what their services are worth;
- lawyers work harder for wealthy clients; and
- lawyers are not concerned about rogues within the profession.

As a consequence of the declining public perceptions, the Minnesota Task Force on Law Schools and the Profession issued a statement of fundamental lawyering skills. The report addresses many issues but in regard to ethics it states that as a member of a profession that bears special responsibilities for the quality of justice, a lawyer should be committed to the values of:

- promoting justice, fairness, and morality;
- contributing to the profession's fulfillment of its responsibility to ensure that adequate legal services are provided to those who cannot afford to pay for them; and
- contributing to the profession's fulfillment of its responsibility to enhance the capacity of law and legal institutions to do justice.

In accounting and engineering programs, ethics education is largely voluntary, however in law, a course on Professional Responsibility is a mandatory curriculum requirement. The requirement to teach Professional Responsibility was established during the 1970s and is normally taught in

the early stages of the degree program. Even though ethics is compulsory in the law curriculum, the extent and quality of such education can vary considerably between institutions (Bobelian, 2004; Pearce, 2002). In some programs, Professional Responsibility is taught in as little as one week in a relatively few hours (Bobelian, 2004). According to Pearce (2002), legal ethics remains no better than a second class subject in the eyes of students and faculty. The teaching of ethics is either ignored or it is given lip service. All efforts to teach ethics is doomed to marginal impact only, until legal ethics is recognized as the most important subject in the law school. Given the perceived ineffectiveness of this current system of education (Rosenberg, 2002), educators are calling for substantive integration of ethics throughout a lawyer's education (Bobelian, 2004).

In regard to course objectives, Pearce, (2002) states that legal ethics should provide the lens through which students view what it means to be lawyer and discover how to find meaning in their work. Legal ethics and professional responsibility should be used as a tool to re-emphasize to students and the public that the legal profession is an honorable profession in which all stakeholders are treated with respect, civility and dignity. In one course on Professional Responsibility (Lopez, 2002), the objectives are threefold:

- teaching the law of lawyering – to help students understand policy reasons for the rules;
- exploring professionalism issues – what it means to be lawyer and to reflect on the rules; and
- critically examining the profession – viewing themselves as professionals with the power to change the profession.

Nursing ethics

The ultimate goal of nursing is to promote the well being of the patient. Therefore, the nurse-patient relationship is at the heart of nursing (Gastmans, 2002). Providing care, comfort and preserving human dignity in the face of extreme pain requires an ability to be sensitive and engage with another human being in a situation of vulnerability and stress (Gastmans, 2002). Nurses today frequently make choices relating to informed consent, treatment, maintenance of life and/or resuscitation (Krawczyk, 1997). Care-giving is more than a technical relationship, it is an interpersonal interaction.

The extent and type of ethics coverage in degree programs varies between institutions. Few schools offer ethics as a separate course but many schools integrate ethics into the existing curricula (Krawczyk, 1997). Citing other authors, Krawczyk (1997) states that there is a lack of systematic research in nursing ethics; a lack of a well-defined ethics content; and lack of a systematic approach to teaching ethics; leaving nursing students confused about their roles and task responsibilities in making ethical decisions. Ethics in nursing education should show the ways in which personal and professional life stands to be enriched or enhanced by the possession of such virtuous qualities and attitudes (Gastmans, 2002). Ethics education is a matter of cultivating virtue, excellences, and developing ethical sensitivity on the part of nurses.

Medical ethics

Biomedical advances of the past 20 years such as stem cell research and the transplantation of human organs have stimulated a renewed interest in medical ethics. Similarly, issues that were not apparently issues a generation ago have now become issues: informed consent, gifts from pharmaceutical companies and patient rights to privacy have become increasingly pertinent to the practice of medicine (Martinez, 2002). Other issues that raise legal and ethical dilemmas include assisted suicide, abortion and genetic technology.

Like law, ethics education became an established part of medical education during the late 1970s (Miles et al. 1989). However, what is glaringly lacking in the medical profession is a structured, basic, uniform approach to the subject of ethics that is understood and practiced by all physicians (Martinez, 2002). A review of the formal study of ethics in medical schools in the US discloses a sincere but poorly coordinated approach to what should be recognized as one of the most important subjects taught to all medical students. According to Martinez (2002), many medical schools offer only minimal exposure to medical ethics with courses consisting of a few weeks discussing a myriad of topics only of interest to the teacher. Physicians are left to determine for themselves what conduct is appropriate, with only vague guidance from the profession and no structured educational training (Martinez, 2002). In 1994, a meeting of experts at the World Health Organization (WHO), called for a compulsory subject within the medical curriculum (Press Release, 14 October 1994).

According to the Australian Medical Council (2000), the goals of basic medical education should instill in graduates knowledge and understanding of the principles of ethics related to health care and the legal responsibilities of the medical profession. Also, graduates should have an appreciation of the complexity of ethical issues related to human life and death, including the allocation of scarce medical resources. In general, ethics education will enhance physicians' understanding of their values and social responsibilities, enhance physicians' ability to identify value conflicts in medical care, and enable physicians to address more successfully ethical dilemmas with patients and other professionals (Miles et al. 1989). Specific goals of medical ethics education include:

- ensuring physicians to recognize the humanistic aspects of medical careers;
- enabling physicians to examine and affirm their own personal and professional moral commitments;
- equipping physicians with a foundation of philosophical and social issues;
- enabling physicians to employ this knowledge in clinical reasoning; and
- developing within physicians the interaction skills needed to apply this insight, knowledge and reasoning to human ethical care.

Resources – Examples of Relevant Ethics Websites

Ethics Websites

KEY

- = Lectures
- ▢ = Case studies
- ⊙ = Film/video clips
- ▣ = Literature/articles
- * = Code of ethics
- ↪ = Links to resources
- ⌘ = Other

□ ▢ ⊙ ▣ * ↪ ⌘

University Linked Ethics Centres

Business Open Learning Archive (BOLA) at Brunel University

<http://www.brunel.ac.uk/~bustcfj/bola/ethics/>

BOLA is designed to act as a business studies primer, support distant learners, support seminar preparation, make lecture handouts redundant and offer relevant www links.

□ (BS3415: Business, Society and Responsibility Module) ↪

Centre for Accounting Ethics at University of Waterloo

<http://www.arts.uwaterloo.ca/ACCT/ethics/index2.html>

The Centre for Accounting Ethics was established in 1991 through a grant from the Auditing and Accounting Development Fund. In supporting projects designed to enhance the teaching of ethics to accounting students and the research of ethical issues in accounting, the Centre aims to help prepare future accountants and auditors to exercise professional judgment within an ethical framework and to promote high ethical standards.

▢ (fee) ⊙ (fee) ▣ (including annotated bibliography) ↪

Center for the Study of Ethics at Utah Valley State College

<http://www.uvsc.edu/ethics/>

Premised on the idea that moral discourse is vital to a flourishing, civil society, the purpose of the Center for the Study of Ethics is to explore the ethical dimensions of a wide variety of disciplines and contemporary moral issues. Designed to serve the needs of students, faculty, and the community at large, the Center promotes the study of ethics through curriculum development, public forums, publications, and faculty workshops.

↪

Center for Ethics and Business at Loyola Marymount University

<http://www.ethicsandbusiness.org>

The Center for Ethics and Business at Loyola Marymount University in Los Angeles aims to provide an environment for discussing issues related to the necessity, difficulty, costs and rewards of conducting business ethically. Recognizing the special challenges connected with discussing ethical issues on a multicultural planet at the dawn of the 21st century, the Center encourages a secular and philosophical approach to these matters.

☞ ☞ (Ethics toolbox)

Center for International Corporate Responsibility (CICR) at The Tepper School of Business at Carnegie Mellon University

<http://business.tepper.cmu.edu/>

The Tepper School of Business continues to innovate in the business ethics field with the Center for International Corporate Responsibility (CICR). By researching cultural differences, the CICR investigates business ethics from a global perspective. The center, founded in early 2002, approaches its mission from several directions: organizing conferences on international corporate responsibility with participants from around the world; sponsoring ethics-related courses that otherwise would not be available; publishing scholarly books and articles on international business ethics; organizing a speaker series for students and faculty; providing teaching material to faculty for integration into existing courses; and sponsoring research in business ethics.

☐ (Ethics in Six Not-So-Easy Lessons), ☐ ☐ * ☞

COVE (Centre on Values & Ethics) at Carleton University Canada

<http://www.carleton.ca/cove/index.html>

The Centre on Values and Ethics (COVE) sets for itself three goals with respect to values and ethics: research, dissemination of research, and education and training.

☐ ☞

E-business Ethics Center at Colorado State University

<http://www.e-businessethics.com/>

The e-business ethics center provides a source of information on business ethics, corporate citizenship and organizational compliance. The goal of the e-business ethics center is to create a virtual community of organizations and individuals that share best practices in the improvement of business ethics. Much of this site's content is being provided by businesses, nonprofit organizations, government agencies and academics that support interactivity and accessibility of information. The ability to access research, publications, resources, linkages and training devices provides an opportunity for both academic and business communities to support business ethics.

☐ ☐ ☐ * ☞ ☞ (Ethics game)

Harvard Business School Publishing (HBSP)

http://harvardbusinessonline.hbsp.harvard.edu/b02/en/hbr/hbr_home.jhtml

Harvard Business School Publishing (HBSP) was founded in 1994 as a not-for-profit, wholly-owned subsidiary of Harvard University. Its mission is to improve the practice of management in a changing world. HBSP does this by serving as a bridge between academia and enterprises around the globe through its publications and reach into three markets: academic, enterprise, and individual managers.

☐ (fee) ⌘ Publishes Harvard Business Online etc)

Markkula Center for Applied Ethics at Santa Clara University

<http://www.scu.edu/ethics/>

The Markkula Center for Applied Ethics at Santa Clara University is one of the pre-eminent centers for research and dialogue on ethical issues in critical areas of American life. The center works with faculty, staff, students, community leaders, and the public to address ethical issues more effectively in teaching, research, and action. The center's focus areas are business, health care and biotechnology, character education, government, global leadership, technology, and emerging issues in ethics. Articles, cases, briefings, and dialogue in all fields of applied ethics are available on this site.

☐ ☒ * ☺ ⌘ (Publishes: Issues in Ethics)

The Australian Institute of Ethics and the Professions co-sponsored by St John's College and The University of Queensland

<http://www.uq.edu.au/aiep/>

The Australian Institute of Ethics and the Professions is co-sponsored by St John's College and The University of Queensland. Its primary concern is with professional practice, including medicine, law, engineering, architecture, government and education. Business ethics is also of particular concern. The Institute seeks to provide a non-partisan forum for the exchange of ideas on the ethics of the professions and aims to serve the various professions as well as offer, where appropriate, critical discussion of existing practices and the values and ethics that govern them.

☐ ☺

The Carol and Lawrence Zicklin Center at University of Pennsylvania

<http://www.zicklincenter.org/>

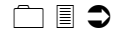
The Carol and Lawrence Zicklin Center for Business Ethics Research was established in 1997. The mission of the Center is to sponsor and disseminate leading edge research on critical topics in business ethics. The Center's broad research focus includes global business ethics, corporate governance, social contracts, deception, disclosure, bribery and corruption. The Center is intended to serve as a focal point for the interaction of business, professional, and academic conferences, and makes available working papers and article reprints relating to the Center's sponsored research.

☐ ☒ * ☺

The Center for Ethics in the Professions at University of Puerto Rico

<http://www.uprm.edu/ethics/>

The Center for Ethics in the Professions promotes cooperation between academic disciplines and emphasizes the ethical dimensions involved in the sciences and in the science based professions. Founded in 1987 as the Center for the Philosophy and History of Science and Technology, the recent name change reflects the breadth of the Center's scope.



The Edmond J. Safra Foundation Center for Ethics at Harvard University

<http://www.ethics.harvard.edu/>

The Edmond J. Safra Foundation Center for Ethics encourages teaching and research about ethical issues in public and professional life; helps meet the growing need for teachers and scholars who address questions of moral choice in business, education, government, law, medicine, and public policy; brings together those with competence in philosophical thought and those with experience in professional education; and promotes a perspective on ethics informed by both theory and practice.

☐ (Course Syllabus: Leadership, Values, and Decision Making & the Moral Leader)



The Center for Business and Society at University Colorado

<http://leeds.colorado.edu/businessandsociety/index.aspx?id=295,72>

The Center for Business and Society supports and encourages intellectual inquiry into the role of business in society, including business ethics and leadership, as well as the impact of business on the environment. The Center sponsors and conducts programs that infuse issues of business and society into the Leeds School curriculum and faculty research agendas. The Center also sponsors outreach activities to academic, community, and business constituencies at the local, state, national, and international levels.

☉ (Publishes: Ethics in Film. An on-line Journal for teaching ethics with film)

☛ ☞ (Held a Teaching Business Ethics Conference July 20-22 2005)

The Georgetown Business Ethics Institute (GBEI) at Georgetown University

<http://msb.georgetown.edu/prog/gbei/>

The Georgetown Business Ethics Institute (GBEI) was established to foster the creation and dissemination of significant conceptual, empirical and applied knowledge in business ethics. The research results of its members and associates are disseminated in places of national and international repute. The practical implications, methods, and techniques that derive from these research results are used to advance the ethical understanding and activities of students and practitioners in the realm of business, at the local, national and international levels.

☐ ☛ ☛ ☞ ☞ (Publishes: Business Ethics Quarterly)

The Wharton Ethics Program at University of Pennsylvania

<http://ethics.wharton.upenn.edu/>

The principal teaching objectives of the program are to strengthen student understanding of the ethical issues they may confront in business and to provide students with the basic tools for addressing and resolving such issues.

The principal research objectives are to produce outstanding research on ethical issues confronting business managers and firms; to study the effectiveness of management strategies for creating an ethical environment within firms; to study the impact of public policy on ethical behaviors in business and to critically consider the content, role, and effectiveness of ethics education.

☰ * ↻

Ethics Centres & Networks

Business Ethics*

<http://www.web-miner.com/busetics.htm#articles>

This site is an adaptation of Web pages created by Sharon Stoerger MLS, MBA ©October 12, 2002 Updated December 30, 2004 for the Office of the Vice Chancellor for Research at the University of Illinois at Urbana-Champaign. This has links to Articles & Publications, Case Studies, Corporate Codes of Ethics, Resources & Centers & Additional ethics resources

☰ ☰ * ↻ ☰

BusinessEthics.ca

<http://www.businessethics.ca/>

Part of the EthicsWeb.ca collection of ethics-related websites, run by philosopher-ethicist Chris MacDonald, it is a Canadian resource for Business Ethics. Including links to Institutes and Associations, International resources, Business Ethics articles and case studies, Books on Business ethics

☰ ☰ * ↻ ☰ (Ethics web bookstore)

Business for Social Responsibility

<http://www.bsr.org/>

Business for Social Responsibility (BSR) is a global organization that helps member companies achieve success in ways that respect ethical values, people, communities and the environment. BSR provides information, tools, training and advisory services to make corporate social responsibility an integral part of business operations and strategies. A nonprofit organization, BSR promotes cross sector collaboration and contributes to global efforts to advance the field of corporate social responsibility.

☰ (some for a fee) * ↻ ☰ (Issue Brief's: Business Ethics and Ethics Codes & Ethics Training))

Business Roundtable Institute of Corporate Ethics

<http://www.corporate-ethics.org/>

The Business Roundtable Institute for Corporate Ethics is an independent entity established in partnership with Business Roundtable—an association of 160 CEOs from leading companies. The Institute brings together leaders from business and academia to fulfill its mission to renew and enhance the link between ethical behavior and business practice through executive education programs, practitioner-focused research and outreach.

☐ & © (Turning Gears Inc.©) ➔ ⌘ (Seminars)

CaseNet

http://casenet.thomsonlearning.com/casenet_global_fr.html

CaseNet brings the practical lessons of business to your classroom with our premier teaching cases, all based on industry data and events.

☐ (fee)

CasePlace.org

<http://www.caseplace.org/>

CasePlace.org is a free, online service for business school faculty, students and businesses. We can help you find some of the best cases, references, and commentary published by and for business educators and business executives.

☐ ☒ (Need to register, no fee)

Council for Ethics in Economics

<http://www.businessethics.org/>

The Council for Ethics in Economics is a worldwide association of leaders in business, education, and other professions working together to strengthen the ethical fabric of business and economic life. The Council identifies and responds to issues important for ethical economic practices and assists in the resolution of these issues.

© (fee) ☒ ⌘ (Publishes Ethics in Economics)

Ethics at Bell South

<http://www.ethics.bellsouth.com/>

BellSouth Corporation is a Fortune 100 communications company headquartered in Atlanta, Georgia.

➔ ⌘ (Quick Self Tests & Ethics Scenario Games)

Ethics Resource Center (ERC)

<http://www.ethics.org/>

The Ethics Resource Center (ERC) is a nonprofit, nonpartisan educational organization whose vision is a world where individuals and organizations act with integrity. The mission of the Ethics Resource Center is to strengthen ethical leadership worldwide by providing leading-edge expertise and services through research, education and partnerships.

☰ (mainly abstracts) ➡ ☿ (Speeches, Publishes: Ethics Online Today)

Ethics Updates

<http://ethics.acusd.edu/>

Founded in 1994 and edited by Lawrence M. Hillman, University of San Diego. Ethics updates is designed primarily to be used by ethics instructors and their students. It is intended to provide updates on current literature, both popular and professional, that relates to ethics.

☰ ☉ ☰

Ethicsweb.ca

<http://www.ethicsweb.ca/>

The EthicsWeb is a collection of ethics-related websites, run by philosopher-ethicist Chris MacDonald. Chris has been administering respected ethics related websites since 1994. The style and function of the various EthicsWeb websites varies, but each strives to present a selected range of high-quality ethics related resources on a particular topic. Most of the EthicsWeb sites have a Canadian “slant” but all provide information that will be of interest to international visitors. The EthicsWeb also has a Bookstore.

☰ ☰ * ➡ ☿ (Ethics web bookstore)

Ethics Centre CA (previously The Canadian Centre for Ethics and Corporate Policy)

<http://www.ethicscentre.ca/>





Ethics Centre CA is a registered charity governed by volunteers and supported by organizations and individuals who share a commitment to ethical values. Founded in 1988, we are a uniquely Canadian, independent ethics centre. We are dedicated to promoting and maintaining an ethical orientation and culture in Canadian organizations. Our mission is to champion the application of ethical values in the decision-making process of business and other organizations. We operate in a non-judgmental and inclusive way to explore and promote the positive role of ethical decision making. We serve as a forum and catalyst for constructive discussion and debate.

☰ * ➡ ☿ (Publishes: Management Ethics)

Ethics Classroom

<http://www.ethicsclassroom.info/>




The Ethics Classroom was developed as an interactive forum for individuals interested in current issues involving values, morals, and ethics across American society. Hopefully this website will be a working resource for you to discover new ways to improve the ethical climate within your organization, your family, or your campus.

    (Glossary of terms related to ethics)

European Bahai Business Forum

<http://www.ebbf.org/>

The European Bahá'í Business Forum (EBBF) is a nongovernmental organization and a network of some 300 men and women in business in over fifty countries. It is registered as a non-profit association in Paris, France under the Law of 1901. It began in 1990 and has continued to grow rapidly in its over fifteen years of activity. EBBF is governed by a Governing Board of seven members elected each year in the General Assembly meeting held at the same time as the annual conference. The Governing Board meets several times during the year, elects the officers, and develops and approves plans and major projects and events.



 (20 ppp:Business Ethics: A New Paradigm)  

 (Publishes: EBBF newsletter)

European Case Clearing House

<http://www.ecch.com>


ECCH is an independent, non-profit, membership based organization dedicated to promoting the case method of learning. The ECCH case collection of management case studies and journal article reprints is the largest in the world. It is a unique and accessible resource for business school and university teachers worldwide.

 (fee) 

i-CASE

<http://www.i-case.com/newweb/index.htm>

Historically, cases have been an important teaching tool. Today, through the use of technology and the Internet, case studies can offer corporate training and educational environments a dynamic and interactive learning experience. The *i*-CASE series of online case studies for education and training provide a thought provoking and interactive approach to examining these issues. Through video, text and interactive exercises, *i*-CASE explores the complex decisions faced by managers -- business opportunities and challenges, ethical dilemmas, and social demands.

 (fee)

Institute for Global Ethics

<http://www.globalethics.org/>

The Institute for Global Ethics works with individuals and organizations of every kind, providing publications, speakers, training, and other assistance in making ethics an integral part of daily life.

☐ ☒ ☚ (Publishes Ethics Newslite)

Josephson Institute of Ethics

<http://josephsoninstitute.org/>

The Joseph & Edna Josephson Institute of Ethics is a public-benefit, non-partisan, non-profit membership organization founded by Michael Josephson in honor of his parents. Since 1987, the Institute has conducted programs and workshops for over 100,000 influential leaders including legislators and mayors, high-ranking public executives, congressional staff, editors and reporters, senior corporate and non-profit executives, judges and lawyers, and military and police officers.

☉ (Making Ethical Decisions, Endgame: Ethics & Values in America: fee) ☑ ☚

St James Ethics Centre

<http://www.ethics.org.au/>

St James Ethics Centre is a fully independent not-for-profit organization based in Sydney, Australia, which provides a non-judgmental forum for the promotion and exploration of ethics and ethical decision-making. The Ethics Centre works with business, professions, community groups, governments and individuals to encourage and assist them to include the ethical dimension in their daily lives.

☒ ☑ ☚ (Publishes: Living Ethics. Hosts an ethics forum)

The Ethics Officer Association

<http://www.eoa.org/>

The Ethics Officer Association (EOA) is a non-consulting, member-driven association exclusively for individuals who are responsible for their company's ethics, compliance, and business conduct programs. The only organization of its kind, it is the largest group of corporate ethics and compliance practitioners in the world. The EOA is a non-profit, 501(c)(6) association, which derives all of its revenue from members' dues, conferences and other meeting fees, and financial contributions.

☒ ☑

The Greater Houston Business Ethics Roundtable

<http://www.ghber.org/>

The Greater Houston Business Ethics Roundtable (GHBER) is a voluntary professional organization dedicated to promoting ethical business practices and serving as a forum for the

exchange of information and strategies regarding implementation, administration and compliance of ethical business conduct programs.



The International Society of Business Economics and Ethics (ISBEE)

<http://www.isbee.org/>

The International Society of Business, Economics, and Ethics (ISBEE) is a world-wide professional association to focus exclusively on the study of business, economics, and ethics. Its professional orientation involves people not only with academic competencies but also with practical competencies in responsible management positions and entrepreneurs of medium-size and small companies. Individual membership consists of academicians, managers of business firms and of not-for-profit organizations, and others who have an interest in business ethics. Organizational membership includes companies and other organizations. ISBEE is strongly international in character with members from around the world.

[Online bibliography:1992 to March 2004 (2926 titles)] (Publishes:ISBEE newsletter)

The Society for Business Ethics

<http://www.societyforbusinessethics.org/>

The Society for Business Ethics (SBE) is an international organization of scholars engaged in the academic study of business ethics and others with interest in the field. Founded in 1980, SBE conducts an annual meeting for the presentation of research and issues a newsletter with information of interest to members.

(Publishes Business Ethics Quarterly)

Accounting Bodies

American Institute of Certified Public Accountants

<http://www.aicpa.org>

The American Institute of Certified Public Accountants is the national, professional organization for all Certified Public Accountants. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. In fulfilling its mission, the AICPA works with state CPA organizations and gives priority to those areas where public reliance on CPA skills is most significant.

CD ROM for fee: Professional Ethics: The AICPA's Comprehensive Course

(Accessible if a member)

(Ethics Quiz, Publishes: Journal of Accountancy)

The Association to Advance Collegiate Schools of Business

<http://www.aacsb.edu/>

AACSB International - The Association to Advance Collegiate Schools of Business is the professional association for college and university management education and the premier accrediting agency for bachelor's, master's, and doctoral degree programs in business administration and accounting. The association brings together collegiate management education administrators and faculty with business sector stakeholders to focus on the challenges affecting success within the global management education environment. Part of the website is dedicated to The Ethics Education Resource Center a comprehensive source for information, tools, and discussion about ethics education in business schools.

☐ ☒ ➡ ☚ (Publishes BizEd magazine)

The Illinois CPA Society

<http://www.icpas.org/icpas/consumer/ethics-casestudies.asp>

The Illinois CPA Society (ICPAS) is committed to being your source for information, leadership and service, helping you to improve your performance and exceed your employer's expectations. As an ICPAS member, you will be part of an organization that understands and fulfills your professional needs.

☐ ➡ ☚

The Institute of Internal Auditors

<http://www.theiia.org/>

Established in 1941, The Institute of Internal Auditors (IIA) is an international professional association of more than 107,000 members with global headquarters in Altamonte Springs, Fla., United States. Throughout the world, The IIA is recognized as the internal audit profession's leader in certification, education, research, and technological guidance.

☒ (some for fee)★ ➡ ☚ (Bookshop).

Samples of Ethical Decision-Making Models

American Institute of CPA Ethical Decision Tree

Developed by AICPA to help accountants walk through the process of resolving an ethical issue at work. It follows a sequential concept whereby the individual reviews:

- established company policies;
- consult respective line managers to ethics and audit committee until a satisfactory solution is offered;
- identify any additional steps which need to be undertaken;
- take action and review the decision.

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

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
- 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.

Laura L Nash's 12-question Model

12-questions to help managers address ethical dilemmas:

1. Have you defined the problem accurately?
2. How would you define the problem if you stood on the other side of the fence?
3. How did this situation occur in the first place?
4. To whom and to what do you give your loyalty as a person and as a member of the corporation?
5. What is your intention in making this decision?
6. How does this intention compare with the probable results?
7. Whom could your decision or action injure?
8. Can you discuss the problem with the affected parties before you make your decision?
9. Are you confident that your position will be as valid over a long period of time as it seems now?
10. Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, society as a whole?
11. What is the symbolic potential of your action if understood? Misunderstood?
12. Under what conditions would you allow exceptions to your stand?

Source: "Ethics without the Sermon" Harvard Business Review 59,1981. In "An Ethics Toolkit for Managers" by Carter McNamara, 2001.

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The Researchers

Professor Philomena Leung (Project Leader)

Professor Philomena Leung has held positions as an auditor in Hong Kong and as a senior academic in HK Polytechnic University (1976-1990). In Hong Kong, she designed and led a team of academics in the development of a final year compulsory course, *Ethical Issues in Accountancy*, for the accountancy degree at Hong Kong Polytechnic University. In Australia, Philomena was recruited by Victoria University of Technology as senior lecturer in accounting and finance in 1990, and was subsequently promoted to associate professor in 1992. In 1995, Philomena joined RMIT University to design, develop and co-ordinate a compulsory subject in accounting ethics for the undergraduate program – the first such compulsory subject of its kind in an Australian accounting degree.

Philomena has a Ph. D in accounting ethics and has undertaken a number of research projects in the areas of auditing, ethics and accounting education, has presented at numerous conferences, published a number of articles in professional and academic journals, and is lead author of an auditing textbook. In 2004, Philomena accepted a Chair in Accounting at Deakin University and is currently Head of the School of Accounting, Economics and Finance.

Professor Barry J. Cooper

After gaining experience as an auditor, Barry joined RMIT University in 1972 where he taught auditing and financial accounting. In 1987, he joined the Hong Kong Polytechnic University as Head of the Department of Accountancy for four years. After returning to Melbourne, Barry was appointed Head of Accountancy at RMIT University until late 1997, when he took leave and joined CPA Australia, as National Director - Member Services. During his time at CPA Australia, Barry was responsible for the operations of the CPA Divisions throughout Australia and Asia and also for the CPA's continuing professional development business. Barry, who has a Ph. D in accounting education, returned to RMIT University in December 2000, where he now teaches auditing and professional ethics. He also pursues his research interests in the areas of auditing, professional ethics and accounting education and has also co-authored several books.

Associate Professor Steven Dellaportas

Prior to joining academia, Steven worked in public practice, specializing in business services. Steven commenced his academic career in 1991 and has taught both undergraduate and postgraduate students in ethical issues in accountancy, auditing, forensic accounting, financial accounting and managerial accounting. In recent years, Steven has developed an increasing interest in accounting ethics, which is now his major field of teaching and research and has completed a Ph D thesis on ethics and accounting education. Whilst at RMIT University, Steven taught ethics and subsequently was appointed senior lecturer at Latrobe University. In 2005, Steven was appointed Associate Professor at the University of Ballarat. He is also lead author of a textbook on accounting ethics. Steven's Ph.D is on ethics education in accounting.

Associate Professor Beverley Jackling

Beverley Jackling is Associate Professor in Accounting at Deakin University. Beverley has a Ph. D in accounting education and has taught a range of accounting subjects, including financial and management accounting, at both undergraduate and postgraduate level. She has also had

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responsibility for developing distance education and other teaching materials that enhance the quality of the educational experience of tertiary students and is the lead author of a major textbook in accounting for use at both undergraduate and postgraduate levels. Beverley's research profile in accounting education includes publications in international journals, national and international conference presentations, research grant successes, media releases and a number of current research projects.

Research Assistants

Heather Leslie

Heather Leslie is a research assistant in the School of Accounting, Economics and Finance at Deakin University. Heather has experience in working on a number of research grant applications and projects at Deakin University and has been a key support person for this project, contributing to the development of the structure of the report and assisting with the quantitative and qualitative analysis.

Greg Tangey

Greg Tangey is a research assistant in the School of Accounting, Economics and Finance at Deakin University. He has assisted in the qualitative analysis for this project.



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