

## WAR 39 ETHICS AND ACCOUNTING EDUCATION: FEW RELEVANT ISSUES

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### ABSTRACT

The demand for accounting graduates to fulfill the corporate needs is increasing from day to day. Education is a platform to prepare them to face challenging roles of the profession. There were various ethical cases involve accounting and accounting-based professionals. It is believed that most accounting corporate scandals and crisis happened due to lack of ethical values exercised by accounting talents in carrying their duties and responsibilities. This study empirically discusses the findings of related literatures on ethics and accounting education. The study focuses on the relevant issues, namely teaching approach, i.e. ethics as a single course or embedded in other accounting courses; contents of ethics in accounting curriculum as well as the qualification and readiness of the instructors to teach ethics. Few scholars representing Islamic education, accounting education, Malaysian accreditation agency and Malaysian accounting professional body were interviewed to get feedbacks on the issues, particularly in Malaysian accounting education systems. It was found that ethics as a single course or vice versa has their own pros and cons. Meanwhile, the contents of ethics course vary, with the most efficient method is to include real ethical cases for students to analyze. Finally, as far as the qualification of the ethics instructor is concerned, it is hard to find the qualified person to teach ethics since the instructor need to both having the spirit of ethics in them and mastering the accounting syllabus itself as well as the issues surrounding the accounting profession.

**Keywords:** Ethics, accounting education, teaching approach, contents and instructors

### 1.0 INTRODUCTION

In light of the recent spate of financial scandals which have shocked the world, questions have arisen about the ethical standards practised by financial personnel, especially accountants. The scandals were associated with the prominent accounting firms such as Arthur Andersen in Enron Scandal (2001) and Deloitte & Touche in Merrill Lynch Scandal (2002). Due to these issues, the International Accounting Education Standards Board (IAESB) has conducted a survey in which they found that there were ethical failure in Asia Pacific, Middle East and Sub-Saharan Africa (MAS) and other regions (IAESB, 2006). Therefore, it is a crucial need to give serious attention on the contributory and preventative roles of accountancy education and training in light of recent financial scandals.

## **2.0 LITERATURE REVIEW**

### **2.1 Education and Curriculum.**

In the Arabic language there are three terms of education: • *Ta'lim*, from the root *'alima* (to know, to be aware, to perceive, to learn), which is used to denote knowledge being sought or imparted through instruction and teaching. • *Tarbiyah*, from the root *raba* (to increase, to grow, to rear), implies a state of spiritual and ethical nurturing in accordance with the will of God. • *Ta'dib*, from the root *aduba* (to be cultured, refined, well-mannered), suggests a person's development of sound social behavior. What is meant by 'sound' requires a deeper understanding of the Islamic conception of the human being.

Education is continuous effort in teaching, coaching, educating, instilling ethics, developing thinking potential and building skills of a student in a specified period of time, using related curriculum, which is integrated education (which comprise of cognitive , skills in the related field, religious and spiritual) was introduced to nurture the dignity of human being as an outcome of harmonized individuals.

According to Hasan (undated), curriculum is the 'queen' of education because it determines the ways how education processes should take place. Curriculum has four main aspects, firstly, the objectives (what kind of individual you want to produce from the curriculum); secondly, the contents (data, information, activities and experience which forming the curriculum); thirdly, the methodology (teaching methods and how teachers drive the students to fulfil the curriculum); and lastly, the evaluation (the methods used to measure and evaluate the curriculum through mid-test and final examination).

Sidek (2006) in his book "*Pendidikan Rabbani*" mentioned that there are five important components in developing a holistic curriculum; 1. Basic values, ethics and religious; 2. Proficiency in multi-languages; 3. Humanity knowledge like philosophy, history, business, geography, sociology, psychology and anthropology; 4. Technology and science related to knowledge; 5. Technical and vocational aspects.

### **2.2 Industrial Efforts on Ethics Education**

Various efforts have been put in action to improve the quality of graduates. This could be seen when education and industrial sectors emphasize much on ethical issues. For instance, the International Accounting Education Standards Board (IAESB) (previously known as International Federation of Accountants – IFAC) has started their serious efforts to improve education landscape to their profession members since 2006. They have issued an Information Paper on "Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs" which prescribes the professional values, ethics and attitudes that professional accountants should acquire during the education program leading to member of an IFAC member body. There are few research project teams worked on identifying existing ethics education policies of IFAC member bodies, identifying issues relating to ethics education and semi structures interviews and focus group discussion with stakeholders (IFAC, 2009).

The IFAC in 2006 has found that member bodies and other individuals expressed a strong consensus relating to the importance of ethics education and agree the continuing nature of ethics education as life-long learning. In addition, ethics education is also seen to be crucial means to respond to the public calls for greater ethics awareness.

In Malaysia, Ministry of Education has released The Malaysian Education Blueprint 2013 in order to improve the quality of graduates inclusive of accountancy graduates of higher education institutes. The Blueprint is aimed to have graduates with knowledge, technical, leadership and soft skills, bilingual proficiency, ethics, spirituality and international identity. In addition, the Blueprint has been upgraded in The Malaysian Education Blueprint 2013 - 2025 (Higher Education). The latest Blueprint highlights ethics and spirituality as one of graduates attributes in order to balance their ethics and knowledge. The student is expected to have ethically and morally upright, spiritually grounded, compassionate and caring, appreciates sustainable development and healthy lifestyle (Ministry of Education, 2015).

The Committee to Strengthen the Accountancy Profession (CSAP), is the country action plan to address various issues raised in the Report on the Observance of Standards and Codes in Accounting and Auditing (ROSC AA) released by the World Bank in 2012. For them, it is an opportune juncture to identify ways to further strengthen the accountancy profession in Malaysia and enhance the contribution of the accountancy profession in nation building, given the changing economic landscape and the need for Malaysia to remain competitive as a nation.

### **2.3 Ethics and Accounting Education**

Accounting as a profession has for centuries depended on the honour and integrity of the accountant. In view of this, several calls have been made for professional ethics to become more prominent in accounting education. Studies reveal that the incorporation of ethics education in tertiary accounting curricula is essential for improving the standards of practice in the accountancy profession. This is proven when most CPA firms rely on colleges to teach the ethical behaviour expected in the profession (Warth, 2000).

This is supported when IAESB (2006) states that ‘enriching ethics training in accounting education and improving ethical behaviour are efforts that should be taken to enhance the ethics of the profession. Understanding and being able to apply ethical principles are essential attributes of an accounting professional. The starting place for developing such attributes is accounting education’. Gammie and Kirkham (2008) also found that university education plays a role in highlighting the importance of both high ethical standards and acting in the public interest to the professional status of an occupation.

However, accountancy programs at the tertiary level have continued to struggle with how to effectively include ethics into their curricula. The effectiveness and efficiency are variant due to a few factors such as the inclusion of ethics contents in accounting program whether ethics as a stand-alone course, integration with other accounting-based courses or combination of both (Madison, 2001; Blanthorne et al., 2007; Klimek & Wenell, 2011), quantity of time devoted on teaching ethics in accounting program (Madison & Smith, 2006; William & Elson, 2010) and the suitable person(s) who teach(es) ethics course for accounting students (William & Elson, 2010).

In addition to the tertiary education, accounting professional bodies also take actions in incorporating ethics education in professional certification. For instance, the Accounting Education Change Commission (AECC), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA) and the National Commission on Fraudulent Financial Reporting (NCFRR) have all called for increased ethics coverage in the classroom (Blanthorne, Fisher & Kovar, 2007). International Financial Reporting Standards (IFRS) also have been established to be a principle-based set of standards to increase the quality of financial reporting (Liu et al., 2011). Such a regulation change calls for accounting educators to develop more principled or post-conventional moral capabilities among students in the higher learning institutions (Liu, Yao & Hu, 2012).

Generally, the pedagogy of accounting profession's ethics is grounded in two areas: (i) its core values of integrity, competence and objectivity; and (ii) its commitment to conduct business in a way that will uphold the public's trust (Apostolou, et al., 2013). The learning objectives of accounting ethics must be set up clearly in order to cover these two areas. Apostolou, et al. (2013) outlined some learning objectives inclusive attaining ethical knowledge, increasing ethical sensitivity, developing ethical awareness, improving ethical decision-making or judgment, applying ethical principles in making ethical business decisions and exposing students to ethical theories, concepts, values and rule-based frameworks to analyse and resolve ethical dilemmas.

The importance of determining specific learning objectives for accounting ethics education is agreed by Kidwell et al (2013). In their study, they developed learning objectives for accounting ethics education in six content areas - codes of ethical conduct, corporate governance, accounting profession, moral development, classical ethics theories and decision models. On top of all the learning objectives, the achievement of those objectives is crucial for the development of meaningful assessment tools.

#### **2.4 Teaching Approach - Single Course vs. Integration**

The ethics lesson is taught by the university education in either as a stand-alone course or integration with the existing course. This issue has been debated long time ago. Both approaches have advantages and disadvantages.

For instance, a stand-alone ethics course has various benefits. Firstly, it will ensure that a substantial amount of time allocated on accounting ethics. Secondly, it will expose students to a deeper conceptual framework of moral reasoning and potential ethical situations in accounting (Williams & Elson, 2010). This is basically the best way to devote ample time focusing on ethics in the curriculum. Klimek and Wenell (2009) in earlier research have found that accounting students who took a separate ethics course scored higher on a Defining Issues Test-2 than students who did not take separate ethics course. This shows that a stand-alone ethics course results in students with higher ethical reasoning when facing issues that need their decisions.

Another option for teaching approach is integrating ethics elements in other accounting-based courses. Blanthorne et al. (2007), Madison and Smith (2006) and Kousay and Khaled (2013) found that integration is more acceptable for teaching ethics in accounting education in their perception studies. The main reasons to supports this option include lack of space and time in the curriculum (Tan & Chua, 2000) as well as lack of ability, proper training for teaching ethics and willingness of the educators in teaching ethics. Their findings were supported by Kidwell et al. (2013) who opts for integration since this approach is at least often practiced throughout the lessons in accounting education. They suggest that ethics being taught based

on the lowest two levels of Bloom's Taxonomy which are knowledgeable and understandable. This is because it is important to have foundational knowledge of ethics that must precede complex cases and situations in the higher level courses.

To conclude, both approaches have their own pros and cons. Therefore, there is little idea that both approaches should be combined in teaching ethics for accounting students in one accounting curriculum (Arfah & Aziuddin, 2012).

## **2.5 Contents of Ethics for Accounting**

Generally, there are several natures of contents that suit ethics course. Some instructors prefer to use traditional theoretical models of ethical behaviour (Bay & Greenberg, 2001) such as utilitarian approach, rights approach and virtue approach that are applied to accounting. Some prefer to use business examples of ethical dilemmas. Other common contents of ethics course include applicable code of professional conduct or ethics (Apostolou, et al., 2013). A further approach that is gaining in popularity is the context of sustainability accounting, which emphasizes social and environmental issues (Apostolou et al., 2013).

In addition, the students should be exposed to the current ethical issues such as independence, conflicts of interest, earnings management and whistle-blowing to develop students' understanding of ethics (Williams, 2010). To be more efficient, Williams (2010) also recommends exposing students with the real-life situations that are commonly faced by the accounting professionals. Student analysis of these cases should involve detecting ethical issues, specifying ethical codes violated, and discussing moral reasoning and the decision-making process.

Ghaffari et al. (2008) warn that the inclusion of ethics within the curriculum is not an attempt by accounting educators to solve all of the moral and ethical problems of the profession. They argue that it is a way of exposing students to a body of material on ethics and encouraging them to ponder over the kind of ethical issues that they might encounter. The inclusion of ethics is to make potential accountants ethically sensitive to issues they are more likely to face and equip them to employ responsible and moral schemata in resolving such problems. Therefore, the choice of contents in ethics course is crucial.

## **2.6 Instructors of Ethics Course**

The issue of instructors of ethics course has been raised by the academic community - who should actually teach ethics for accounting students. One school of thought mentioned by Callahan (1980) in Williams and Elson (2010) suggested that ethics should be taught by accounting faculty, provided that the instructor has knowledge of accounting and has personally experienced some of the ethical dilemmas facing accounting professionals. Under the current mandates, all accounting instructors are responsible for covering accounting ethics in their respective accounting courses regardless of what methods of teaching being implemented.

The main concern if ethics is taught by the accounting faculty is that the capability of the accounting instructors to teach ethics effectively. This is because ethics is a subject that involves moral reasoning, moral development and moral issues. It is an area that is entangled in the human actions of accountants but it is a subject that is very distinct from accounting. Due to the distinction area between accounting and ethics, Williams and Elson (2010) found that there is lack of interest among accounting instructors to teach ethics. In addition to that,

most of them do not get necessary training to teach the ethics course effectively. This will result in ineffectiveness outcome of teaching ethics.

Another school of thought opines that ethics should be thought by philosophers (Klein, 1998). This is due to the skills and interests that they have. They are well trained to teach ethics course and have keen interest in ethics education. However, the number of philosophers are still lacking in accounting line.

In order to alleviate with the weakness of each school of thought, it is suggested to have team teaching approach in teaching ethics for accounting students. Philosophers are equipped to teach moral reasoning to students but not necessarily the ethical dilemmas facing the accounting profession. On the other hand, accounting faculty members are equipped to teach the ethical dilemmas of the accounting profession but not necessarily moral reasoning to the accounting students (Blanthorne et al., 2007). Regardless of time consuming and challenging, team teaching is found effective in teaching ethics for business and accounting students provided that there is good interaction between members in the team (Callahan, 1980 in Loeb, 1988).

### **3.0 RESEARCH METHODOLOGY**

The study empirically adopts both secondary and primary data. Firstly, the study reviews previous literatures to find the relevant issues on the ethics and accounting education. Once identified, the issues were raised and further studied through interview sessions. The interviews were conducted to reconfirm whether the issues are still relevant in the current accounting education system, particularly in Malaysia. Six scholars are involved in giving information through the interview sessions. They are two professors in Islamic Education (PE 1 and PE 2), one accounting professor (PA), one senior accounting lecturer (LA), one representative from Malaysian Accounting professional body (PB) and one representative from Malaysian accreditation agency (AA).

There are 12 main questions which were developed based on studies from literatures, namely from Al-Aidaros et al (2011), Williams (2010) and Blanthorne, Kovar & Fisher (2007). The questions are split into few constructs, namely (i) Ethics and accounting education; (ii) contents of ethics education; (iii) technique(s)/approach(es) of teaching ethics; (iv) instructors to teach ethics; (v) constraints to teach ethics; and (vi) other issues. However, this paper focuses on three main issues only – approach(es), contents and instructors to teach ethics.

## **4.0 FINDINGS**

### **4.1 Teaching approach**

As far as teaching approach is concerned, the findings from interviews are average. Two of the respondents (PE1 and PB) prefer ethics be embedded in other courses at the tertiary level of accounting education. While PE2, PA and AA recommend ethics course are exposed to students as single course. LA opines that ethics could be a single and integrated course simultaneously, depending on the nature of the course.

Among the reasons why ethics should be embedded in other relevant courses such as auditing and Islamic/moral courses is separating ethics from other courses is like compartmentalizing the course with other courses. Yet, it may result to student failure to relate ethics course from other courses. Furthermore, ethics contents are somewhat similar to character development. Hence, it is relevant with many other accounting-based courses. However, if ethics to be

embedded in other courses, it might consume more contact hour to cover other parts of the individual syllabus.

## 4.2 Contents

PE 1 proposed that ethics course approach can be in two ways either as problem-based learning (PBL) – to create cases which relate the teaching of the Quran and Sunnah, or authentic problem-based learning (APBL) to include real scenarios or cases and the implications of the scenario or cases (solved or ongoing). AA do suggest the instructors to utilize various teaching approaches such as theory, problem-based learning, discussions, interactive lectures using gadgets and technology, role plays or case study which relates theory with reality or academic visits depending on the programs and institutions. Suggested resources could include business ethics, accounting ethics, MIA-By-Laws and Code of Professional Ethics and Conduct.

Meanwhile, PA, PE2, LA and PB opine that ethics can be taught in two ways, theoretical and practical through case studies. Teaching ethic is about the methodology not like be other courses it should be case study based. Effective way of teaching ethics is through real life case study; preferably Malaysian cases (PA) because the students can easily internalize real case in their own country. In addition, the PA suggested the lecturers to make use of the new media to get updates on ethical cases.

PB suggests that the syllabus contents of ethics course should consider the following contents:

- MIA By-Laws on professional ethics can be used as the ethics course for accountancy students (also recommended by AA).
- Also recommended to refer to the International Education Standards (IES) 4 of IFAC – as guidelines to develop the syllabus contents of the course. They opined that it may not be suitable to integrate Islamic values in ethics course due to probable differences between the two subjects.

## 4.3 Instructors for Ethics Course

According to literatures, accounting ethics should either be taught by accounting instructors or philosophers. However, majority respondents (except PE2) agreed that ethics for accounting students should be taught by instructors with accounting background, i.e. accounting instructors. This is because accounting instructors well-know and understand the relevant issues in accounting professions, theoretically and practically.

PE2 has different idea regarding the choice of instructors for accounting students. He has prioritized that the instructors should be assigned based on the following sequence:

1. Philosophers or religious instructors with general understanding on accounting;
2. Accounting lecturers with understanding and practicing ethics, or
3. Human sciences lecturers, since ethics is related to human/personal development.

However, there is important issue in assigning instructors for ethics course. The issue is the ability of the instructors to teach ethics with their noble ‘heart’ (PE2 and PA). In other words, those who teach ethics should practice or internalize the virtue of ethics in them before handover or teach students to be ethical professionals. This is known as learning by example or *qudwah hasanah* in Islam. PA said, currently some people have a tendency to merely teach based on written syllabus, with no heart to teach ethics.

## 5.0 CONCLUSION

One of the greatest challenges facing the accounting profession today is maintaining exemplary ethical performance. It follows therefore that one of the greatest challenges for accounting education is how to get the ethical message across to accountancy students, the practitioners of tomorrow. This study found that a combination of teaching approaches, course contents and criteria of the instructors have direct and indirect impact on the students' ethical behaviour.

Thus, the overall conclusion is that there is little teaching of ethical issues at undergraduate level in accountancy program. The issues arises when the mix of the three components discussed above are not well-blended. For example, provided that the teaching approach is well conducted and the various combination of contents are well delivered, the objective of teaching ethics will not be achieved if the instructor is not ready to teach or not capable to deliver ethics whole-heartedly.

It is also concluded that, the role of educating ethical accounting professionals is not only falls under higher learning institutions. It is the cooperative responsibility among the learning institutions (inclusive of academia), professional bodies and the students themselves. The most important driver is the education system, particularly accounting education system itself. The education system should be balance in imparting intellectual, spiritual, physical and professional among students in order to create future charismatic leaders and professionals.

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