

Ethics of Future Accounting Professionals: Evidence from Malaysia

Nur Barizah Abu Bakar, Suhaiza Ismail and Suaniza Mamat
Department of Accounting, Faculty of Economics and
Management Sciences
International Islamic University Malaysia
Email: nur.barizah@gmail.com

A strong ethical sense needs to be imbued in potential entrants to the accountancy profession. This paper explores the ethical attitudes of the final year accounting students in the International Islamic University Malaysia. There were 210 students who responded to the self-administered questionnaire survey. Of these respondents, 38 per cent would opt to become whistleblowers. About 3 per cent would accept bribes. Once an element of risk of being caught was introduced, the percentage opting for whistleblowing increased by 6 per cent. However, none chose the bribe option. These responses indicate that only a small proportion of students will depend on punishment and penalty in order to behave ethically. A larger proportion of male students as compared to female tend to behave unethically. The study indicates that the majority of respondents would prefer not to indulge in unethical behavior. The primary contribution of this paper is that it offers insight on Malaysian accountancy students' ethical attitudes.

Keywords: *ethics, accounting, students, Malaysia, whistleblowing, moral development, gender*

Introduction

In the wake of Enron, WorldCom and other corporate scandals, steps have been taken by various parties including the accounting professional bodies and educators to ensure the existing and future accountants are well equipped with the knowledge of necessary ethical behaviors and values. Teoh (1990) reported the support among the accounting academicians, corporate accountants and accounting practitioners in Malaysia that professionalism and ethics should be upheld. Turpen & Witmer (1997) highlighted the importance of generating graduates who would be able to make appropriate judgment when they are confronted with ethical dilemmas. Ethical judgment is an important quality looked

for by most accounting employers when hiring new employees. The integration of ethics into the accounting curriculum, therefore, is seen as a critical challenge facing accounting educators (Huss & Patterson, 1993). At the international level, the issuance of professional standards on ethics such as the International Education Standards 4 (IES4 on Professional Values, Ethics and Attitudes) by the International Federation of Accountants (IFAC) in 2003 is one component of the series of actions taken to restore the reputation and the credibility of the profession after all those devastating corporate scandals (Titard et al., 2004). Consequently, the Association of Chartered Certified Accountants (ACCA) has recently revised the syllabus of its professional examination which now features a strong emphasis on professionalism and ethics.

The purpose of this study is to assess the ethical attitudes of graduating year accountancy students in a public university in Malaysia. In particular, these students were surveyed as to whether (a) they would accept a bribe, (b) they would be involved in a scheme to defraud shareholders under two different situations. In the first situation, there was absolutely no chance of being caught, while in the second situation, there was a ten per cent risk of being caught. The students' attitudes towards whistleblowing – if they became aware of such improprieties were also surveyed. The effect of gender difference on students' ethical judgment was also tested.

This study contributes to the literature in several ways: (i) updating the existing literature on students' ethical judgments when confronted with real life corporate dilemmas, particularly of students in developing countries, (ii) assisting accounting practitioners and employers in understanding the ethical attitudes of their prospective employees, and, (iii) providing guidance to accounting educators in incorporating ethics into the curriculum.

This paper is structured as follows. The next section provides a summary of the relevant literature on several important issues in ethics. This is followed by a description of the research methodology employed in the study of ethical judgments. Results and discussions are then presented, with conclusions and limitations contained in the last section.

Literature Review

There are basically three key issues which have been addressed in this paper namely; (i) whistleblowing, (ii) stages of moral development, and, (iii) gender difference. The literature review covers these key aspects.

Whistleblowers

One aspect of ethical decision-making that has received recent interest by researchers is whistle-blowing (Beattie, 2000; Keenan, 2002). Whistleblowing is “the disclosure by organization members (former or current) of illegal, immoral

or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect corrective action” (Miceli & Near, 1992, p. 36). The presence of whistleblowers brings about a credible threat of discovery and prosecution to those who are guilty of crime, civil offences (including negligence, breach of contract, etc), miscarriage of injustice, danger to health and safety or the environment and the cover up of any of these (Lee, 2005b).

Accountants, whether working in public accounting, industry, or government/ not-for-profit organizations, may encounter a whistleblowing situation that relates to their employment (Loeb, 1990). In this respect, accountants would face a dilemma. On one hand, if they report to a much higher or outside authority the situation in question, they may be viewed as disloyal. On the other hand, by not reporting the situation, harm may occur and the individual’s principle may be violated (Loeb, 1990). Study by O’Leary and Radich (2001) on 103 accountancy students of one university in Australia found that 50 per cent of students appeared willing to become whistleblowers for the frauds against the Taxation Office and shareholders.

Stages of Moral Development

Ethics education, as commented by Shenkir (1990, p. 31), should recognize that different students operates at different stages of moral maturity. In this context, Kohlberg (1976)’s model of moral development suggests that an individual’s moral choices change over time and can be explained by any one of the six distinct stages of moral development. The six distinct stages of moral reasoning, in which moral development proceeds through as developed by Kohlberg (1976), has been adapted by Davis & Welton (1991) and are shown as follows:

Table 1: The Six Distinct Stages of Moral Reasoning

LEVEL 1 : Preconventional Level	
Stage 1	Sticking to rules backed by punishment of superior authority.
Stage 2	Following rules when in one’s best interest, avoiding punishment, bargaining with authority.
LEVEL 2 : Conventional Level	
Stage 3	Seeking approval of friends and family, the need to be good in your own eyes.
Stage 4	Obedience to law and order, avoiding the breakdown of society.
LEVEL 3 : Postconventional Level	
Stage 5	Awareness of other people’s rights, universal principles of justice.
Stage 6	Concern with consistent ethical principles, equality of human rights and respect for the dignity of human being as individuals.

Source: Adapted by Davis & Welton (1991) from Kohlberg (1976)

O'Leary and Radich (2001) in their study for instance, found that the percentage of fraud participants fell significantly when a 10% risk of being caught was introduced. Thus shows that large proportion of students had only reached stage one of Kohlberg's stages of moral and ethical development.

In this present study, we attempted to find whether accounting students would move out of the first stage to the second. In doing this, we provided repeating scenarios which included an element of a chance of being caught, if the students were involved in any of the unethical actions.

Gender Difference

Besides issues mentioned above, this paper also examined if gender difference had an effect in ethical decision making and whistleblowing preferences. A number of studies in accounting and other disciplines reported that there were differences in moral reasoning levels or ethical decisions between male and female respondents. For example, it was reported that females were concerned more about ethical issues and business ethics, thus arguably reflecting a higher moral development and moral standard (e.g. Shaub, 1994; Sweeney, 1995; Ameen et al., 1996; Cohen et al., 1998). Shaub (1994) reported that female accountants and undergraduate accounting students exhibited higher levels of moral reasoning than their male counterparts, and that female undergraduates made higher ethical evaluation than their male counterparts. Further, O'Leary and Radich (2001) found significant differences between male and female respondents, where males appeared four times more likely than females to act unethically. However, other studies suggest no differences between male and female value systems (Kidwell et al., 1987; Fagenson, 1993; Butler & Clarke, 1999). As a case in point, Stanga and Turpen (1991) specifically found no significant difference in how female and male accounting students responded to hypothetical cases.

Research Methodology

The Subjects

The subjects in our study were final year graduating students pursuing Bachelor Accounting Degree at International Islamic University Malaysia (IIUM). Although it is apparent that the sample university holds the title 'Islamic' in its name, it must be emphasized here that it is not within the scope of this study to test neither the impact of religiosity in general nor Islam in particular on the ethical attitudes of the accountancy students. Generally, these students had completed most of the core accounting modules (financial accounting, management accounting, taxation and auditing) and are likely to start their

career in the accounting field in the near future. The questionnaires were distributed in September 2006 to all 235 of the final year graduating students. This was carried out during a formal lecture period where students were given approximately 10 minutes to complete it. Students were not told that this was a survey on ethical attitudes. All they were told was that there were no correct answers and they were encouraged to complete the questionnaire honestly. As with most questionnaire surveys the complete anonymity of the respondents were assured. A total of 210 usable responses were received, representing 89.4 per cent of response rate.

Survey Instrument

The survey instrument (questionnaire) used in this study was primarily adapted from studies of O'Leary and Cotter (2000) as well as O'Leary and Radich (2001). Some modifications were made to ensure its applicability of the questionnaire to the study context. The questionnaire has two parts; the first part elicited the respondents' attitudes towards several ethical dilemmas, while the second part sought the background information of the survey respondents.

In particular, the first part of the questionnaire consisted of two ethical vignettes. The first scenario was regarding the decision of whether the survey respondents would accept a bribe to participate in a scheme to defraud shareholders by understating their returns. Scenario two was exactly similar to scenario one, except that the latter included the possibility of being caught. Specifically, these two scenarios were aimed at gaining information on the ethical attitudes of the sample students based on the following research questions:

1. What are students' attitudes towards whistleblowing?
2. How are their ethical attitudes affected by the risk of getting caught?
3. Is there an impact of gender on the ethical decisions of students?

Results and Discussion

To begin with, it would be necessary for us to interpret the answers or responses to the scenarios given. We grouped the respondents into four categories depending on the responses chosen by them. The first response (i.e. *Accept the offer for three years and tell no one*) was a reflection of the respondents willingness to accept bribes, and thus it was paramount to unethical attitude. Those who chose the second response (i.e. *Decline the offer and tell no one*), on the other hand, although not being purely unethical, could be considered as irresponsible for not doing anything in preventing the wrong doings surrounding them, even though they were totally aware of it. Third response (i.e. *Resign*

immediately and tell no one), in contrast might indicate respondents' high sensitivity towards unethical situations and thus they reacted in a manner which may be against their self-interest. The last category of response (i.e. *Inform the relevant Corporate authorities immediately*) to a larger extent, reflected the profession's hope to stop these unethical situation or environment to prolong, as they are the whistleblowers.

As depicted in Figure 1, a small majority of students (i.e. 37.6%) were willing to become whistle blowers. On the other hand, a very small portion (i.e. 2.4%) would behave unethically by accepting the bribe offered. In general, these are satisfactory results although it may not be an ideal situation. The rest (60%) of the respondents indicated that they were neither purely unethical nor whistleblowers.

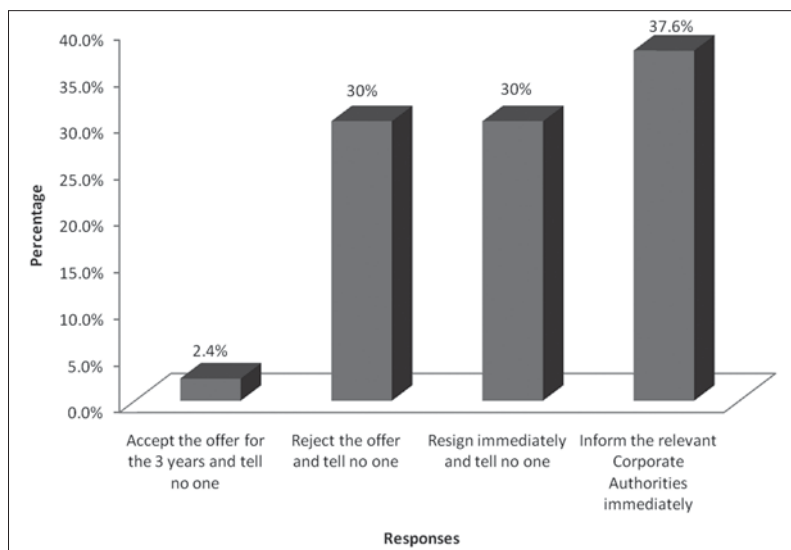


Figure 1: Responses to Scenario 1 on Students' Attitudes to Defrauding Shareholders

Those who fell under the second category by declining the offer and tell no one (i.e. 30%) were actually exposing themselves to future temptations. The parties who tried to bribe them might not stop from trying to bribe them in the future. Thus, they in a way, become the contributing factor towards the ongoing unethical practices in organizations. In brief, their act reflects irresponsible behaviour where they continue to play their normal roles in the company, at the same time aiding and condoning immoral behaviour in silence.

Comparatively, the same percentage of respondents (i.e. 30%) which fell under the third category, decided to resign and tell no one. Whilst blowing

whistle, they were at least willing to take some measures in distancing themselves from future temptations. Such act also indicated a silent protest. By resigning, they might be indirectly 'whispering' to others that something went wrong in the company and this may alarm the bribe offerer who may eventually reduce the number of unethical cases.

It is interesting to note the small difference (i.e. 7.6%) of those who fell under the third (i.e. 30%) and fourth (i.e. 37.6%) categories. Among the reasons indicated in the literature as to why people are still worried about blowing the whistles is the lack of protection. There were cases where whistleblowers have been sacked, demoted, sued or otherwise victimized, usually for breach of confidence or for defamation (Lee, 2005a). In Malaysia, authorities have come to terms with the reality of protecting whistleblowers. Firstly, the amended Securities Industry Act, 1983, makes mandatory for auditors and key officers to report corporate misdeeds to the authorities; secondly, Witness Protection Bill accords legal protection to those who blow the whistle as prosecution witnesses, thus preventing them from being sacked or having to face punitive action by their employers. Hence, if future accounting professionals are educated on the above protection terms, there is a brighter future in the accounting profession. In short, the third group of respondents has the potential of becoming whistleblowers, if they are supported by the ethical knowledge and the processes in education and industry. We might later be able to transform this category of respondents into whistleblowers, and thus increasing the percentage of whistleblowers from 37.6% to 67.6%.

Additionally, the deterring factor also relates to the perception of others on them. A whistleblower's act is seen like a betrayal of trust akin to biting the hand that feeds you. It is not surprising that the whistleblowers may find themselves isolated from their colleagues and management. In Asian societies where 'loyalty' is a particularly strong trait, the whistleblower may face the dilemma between acting in the public interest and conforming to being loyal to the management and colleagues. In such context, perhaps the government has a vital role not only in creating conducive conditions for whistleblowing but also to show the living examples where all who wish to, can become actively involved in whistleblowing without any discrimination and recrimination.

Comparing the current results with O'Leary and Radich (2001), the present study seems to arrive at a more favorable result at least in one aspect, i.e. the lower percentage of those who are willing to accept bribes. In the former study the percentage of students who were willing to do so was much higher (i.e. 20%) as compared to the present study (i.e. only 3%). However, with regards to those who refuse the bribe and inform relevant authorities, the O'Leary and Radich (2001) study find higher percentage of students (46%) willing to become whistleblowers, which is 8.4% higher than the present study. This finding somewhat imply that Malaysia still has some room for improvement in bringing the accounting profession to a healthy culture of whistleblowing.

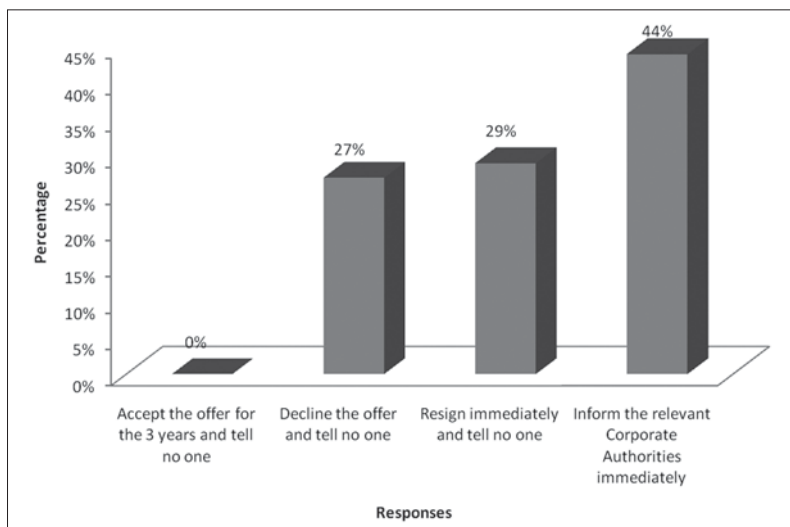


Figure 2: Responses to Scenario 2 on Students' Attitudes to Defrauding Shareholders with 10% Chance of Being Caught

The study also finds that once the risk of being caught was introduced into the scenario, none of the students would indulge in unethical acts such as accepting bribe (refer to Figure 2). This may indicate that the existence laws is one important aspect towards the creation of an ethical environment in a particular society. In other words, a certain group of people may need the 'cane' mechanism in order to make them behave ethically. Hence, government through its relevant bodies needs to ensure that this 'cane' mechanism is in place if an ethical business society is desired.

When the risk of being caught is made real, the percentage of respondents who were willing to become whistleblowers was also increased by 6 per cent. This may imply that the existence of laws may to a certain extent helps build confidence in the people who may wish to blow the whistle. Laws also may enhance their courage and increase the likelihood of them becoming selfless. These results support those of O'Leary and Radich (2001) in the sense that once the risk of being caught is introduced, less number of students would behave unethically and more students will become whistleblowers.

With reference to Kohlberg's model, the slight decline in those who chose to accept bribery from Scenario 1 (3%) to Scenario 2 (0%) indicated that few students had moved on from the first and second stages of Kohlberg's stages of moral development. They still relied on punishments in order to deal with ethical conflicts. Unless strict rules are in place, they are not able to make proper ethical decisions and hence act ethically. The same discussion applies to the increasing percentage of whistleblowers from Scenario 1 (38%) to Scenario 2 (44%).

In determining the impact of gender on their reaction towards ethical dilemma (refer to Figure 3-for Scenario 1), it is noted that male students are more likely to behave unethically with 7.7% of them willing to accept a bribe offer (a 6% higher than their female counterparts). The percentage of male respondents who would inform the relevant authority was also lower than the female respondents with 30.8% and 39.2% respectively. This study, thus, supports the earlier literature. For example Arlow (1991), Ameen et al. (1996) as well as Coate and Frey (2000) found females more inclined towards making ethical judgment. Similarly, it also supports Haswell and Jubb (1995) who noted that fewer female students (i.e. less by 25%) would accept a bribe if there was no risk of being caught. However, further analysis using chi-square test shows that there is no significant difference between male and female counterparts in ethical decision making ($\chi^2 = 5.32$, degree of freedom = 3, $p > .15$).

	Gender	
	Male	Female
Accept the offer and tell no one	7.7%	1.7%
Decline the offer and tell no one	35.9%	28.7%
Resign immediately and tell no one	25.6%	30.4%
Inform the relevant authorities immediately	30.8%	39.2%
	100.0%	100.0%

Figure 3: Cross Tabulation: Percentage within Scenario 1

Next, we confirmed our results on gender differences by examining Scenario 2 (refer to Figure 4). This result confirmed the findings of gender differences in Scenario 1 particularly in the sense that female students were more inclined towards behaving ethically as compared to male students. However, the chi-square shows there is no significant difference between males and females in making decision related to ethical dilemmas ($\chi^2 = 3.43$, degree of freedom = 2, $p > .18$). In brief, this study found no significant difference between male and female students in both scenarios.

	Gender	
	Male	Female
Accept the offer and tell no one	0.0%	0.0%
Decline the offer and tell no one	38.5%	24.0%
Resign immediately and tell no one	25.6%	30.4%
Inform the relevant authorities immediately	35.9%	45.6%
Total	100.0%	100.0%

Figure 4: Cross Tabulation: Percentage within Scenario 2

Limitations

This study has a few limitations. First, the subjects of this study were students from only one university in Malaysia which may limit the generalizability of its findings. Extension of this study to accountancy students from other Malaysian universities would perhaps be more useful. Another limitation is the sole use of final year accounting students as respondents. The study should be extended; firstly, to the various levels of accounting students (i.e. freshman and sophomore (lower division), junior and senior (upper division) and graduate students in accounting), and secondly to non-accounting students; for the purpose of comparison.

However, with due consideration to these limitations, this study could be treated as part of a larger body of research needed to enhance our understanding on the ethical attitudes of accounting students. It should be borne in mind that a single empirical study such as this, could not, in any case, be viewed as conclusive.

Conclusion

Ethical conduct is a crucial component for accountants to efficiently deliver their tasks and more importantly for accountants to regain their professional credibility. This study demonstrates that a majority of the participants were not being purely ethical, in the sense that many of them opted to take a relatively moderate approach when being confronted with ethical dilemmas. At the same time, slightly more than one third of the survey respondents indicated strong objection towards unethical behavior. This is evidenced by their willingness to become whistleblowers. However, once the chance of being caught for committing this unethical conduct was introduced, the proportion of whistleblowers increased to some extent and no participant acted unethically.

Hence, the findings of this study indicate the need for some proper measures in order to instill sound ethical values in the future accountants. One feasible measure would be to have ethics courses as compulsory modules for students majoring in accounting. This has not yet been implemented in many of the higher learning institutions in Malaysia, despite the extensive awareness of its importance.

If ethics courses are to be seriously implemented in a university, or if ethical values are to be inculcated in students, there have to be sufficient human resources to conduct training for the students. Unfortunately, Bernardi (2004) pointed out that there is currently a shortage of accounting teachers and researchers on professional ethics. In particular, Bernardi (2004) found that only 168 out of 6,200 accounting faculty indicate that ethics is an area of research interest to them. Such a low figure indicates the lack of interest in ethics by the accounting academic community. The quantity and quality of accounting ethics

teachers and researchers would increase over time if academics included articles on ethics in their publications. In a way, this finding supports the notion that the academic community significantly distances itself from the concerns and realities confronted by practicing accounting professionals, and short of experts to teach ethics to accounting students.

Another point which needs to be highlighted is that one of the ways by which we can prepare our graduates to face the challenges in the accounting profession is through the inculcation of the strong critical thinking skill. Along the same line, Paul (1993) argued that teaching critical thinking in a strong sense is a powerful tool, and he believes that these are a necessary means to moral integrity and responsible citizenship. This is mainly true, because some ethical questions have definitive answers; others require reasoned judgement, and there is where the critical thinking ability come to place. Unfortunately, curricula, according to Paul (1993), is so highly compartmentalized and teaching is so committed to “speed learning” (covering large chunks of content quickly) that it has little room for fostering what he call the intellectual virtues.

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