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International Education Standard 4: Professional Values, Ethics and Attitudes –
Revisiting the implications of ethics education

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ABSTRACT

Current discussions about the impact of recent accounting scandals on the accounting profession are prevalent. Enron, Arthur Andersen and the Sarbanes-Oxley Act have entered the vocabulary in public debates and academic and professional agendas. The recently formed Public Company Accounting Oversight Board under the Sarbanes Oxley Act (2002) in the United States and the regulatory framework of the Financial Reporting Council (FRC) in Australia, for example, may suggest the phenomenon that the accounting profession is under threat. However, some authors claim that new laws may not be sufficient to restore credibility of the profession; rather, confidence in the profession would only be restored by ethical leadership and enriching ethics in accounting education (McPhail, 2001). In 2003, the International Federation of Accountants (IFAC) issued a set of International Education Standards (IESs). IES 4, *Professional Values, Ethics and Attitudes* aims to equip candidates for membership of an IFAC member body with the appropriate professional values, ethics and attitudes to function as professional accountants. This paper explores the implications of IES 4 and analyses some of the challenges arising from an international professional accounting body prescribing ethics education. The paper explores arguments used to evaluate the concept of a prescriptive global application of ethics education in accounting. The paper then concludes with an overview of considerations to be addressed to ensure that the implementation of IES 4 is successful.

Journal of Economic Literature Classification: M40, I23

Key words: ethics, accounting, education, IFAC.
INTRODUCTION

Recent corporate collapses and scandals such as Enron, WorldCom, Sunbeam, Xerox and Tyco in the US, HIH and Harris Scarfe in Australia and Parmalat in Europe, have prompted public criticism of business and accounting practices. In particular, there has been criticism of the professional ethics displayed by some accountants and auditors. Failed companies such as those listed above have exposed a culture of aggressive and creative accounting amongst some accountants. The concern for the accounting profession is that public confidence in accounting, and the auditing function in particular, has been undermined. The impact of accounting scandals on the accounting profession’s reputation is considered by some to be so severe that the profession is facing a credibility crisis (Earley and Kelly, 2004; Zabihollah, 2004).

The responses to the accounting crisis at the regulatory, professional and industry levels have been well-documented. However, according to Smith (2003:47), 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.” There is now an increased awareness of ethics education in many professional programs and accounting curricula (Titard, et al., 2004). In reviewing post-Enron accounting education, Ravenscroft and Williams (2004) believe that it is critical the entire accounting curriculum should be demythologized in order to examine where perhaps accounting education has gone wrong in the past. Enriching ethics in accounting education and improving the moral behaviour of its members is viewed as one way to restore the credibility of the profession (McPhail, 2001).

In 2003, IFAC (International Federation of Accountants) issued International Education Standard 4, Professional Values, Ethics and Attitudes (IES 4). The aim of IES 4 (2003d) is 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” (IES 4:2). The
profession’s renewed emphasis on teaching ethics to future accountants now calls upon accounting educators to teach ethics. However, anecdotal evidence suggests that a consensus have not been reached regarding the role of accounting academics in teaching ethics, and how ethics should be learned and taught.

The IES 4 is intended to provide guidance to educators where guidance may have been ad hoc or absent. However, the very nature of the stated aim of IES 4 raises important issues. What, for example, does IES 4’s aim “to equip candidates with appropriate values, ethics, and attitudes” entail?

This paper explores the implications of IES 4 and analyses some of the challenges of prescribing ethics education. The paper evaluates such concepts as values and attitudes, discusses the contexts of IFAC’s global drive in ethics education, and examines implications for the accounting curriculum. The remainder of this paper is structured as follows. The next section provides a background to understanding the mandatory nature of IES 4. This is followed with a discussion of the issues related to prescribing ethics education; arguments from the literature, research and the authors’ observations are offered. The remaining section of the paper examines the challenges faced by accounting educators and professional accounting bodies in implementing IES 4 in the accounting curriculum. The paper concludes with an overview of considerations that are paramount in order to make the introduction of IES 4 successful.

**THE MANDATORY NATURE OF INTERNATIONAL EDUCATION STANDARDS**

One goal of the Education Committee of IFAC is to develop a series of international education standards (IESs) that reflect good practice in a member body’s pre and post qualification education and development programs (IFAC 2003a: 12; IFAC 2003b: 2). The IESs express the benchmarks that member bodies are expected to meet in the education and
development of their members (IFAC 2003a: 20; IFAC 2003b: 2 and 22). “They establish the essential elements of the content and process of education and development at a level that is aimed at gaining international recognition, acceptance and application” (IFAC 2003b: 2). While the IESs cannot legally override the local laws or regulations of any one member body’s country, the IESs are prescriptive in nature and member bodies have an obligation to consider the IESs in developing their education and development programs in accounting. (IFAC 2003a: 5 and 7). IESs are designed to provide an authoritative reference for informing and influencing local regulators regarding generally accepted ‘good practice.’ (IFAC 2003b: 3).

Over 160 professional accounting associations in 120 countries worldwide are member bodies of IFAC. Many of these bodies have also signed in for the IFAC compliance program. Therefore the IESs cannot be ignored. In fact, according to IFAC (2003b: 4), by January 2005 all member bodies are expected to comply with the IESs and incorporate in their education programs the essential elements of the content and process of education on which the IESs are based. For example, CPA Australia, The Institute of Chartered Accountants Australia and the National Institute of Accountants, as member bodies of IFAC, have an obligation to comply with the IESs. The question facing professional accounting bodies around the world is how best to implement IES 4 as a means of improving the quality of accounting practice. The following section outlines more specifically, some of the issues faced in prescribing ethics education in accounting.

**PRESCRIBING ETHICS EDUCATION**

According to IFAC, the accounting profession’s capacity to satisfy its increasing demands and accountability determines its value to society (IFAC, 2003b:19). Therefore, in a constantly changing environment, accountants must not only acquire technical accounting knowledge and skills, but they must also acquire integrity, objectivity and the skills that enable them to take a firm stand in difficult situations (IFAC, 2003b: 13). IFAC views professional
values, ethics and attitudes, and a commitment to the public interest as integral attributes of a professional accountant.

In bold typeface, IES 4 paragraph 16 notes: "While the approach of each program to the learning of professional values, ethics and attitudes will reflect its own national and cultural environment and objectives, as a minimum all programs should include a number of topics. The topics listed below are identified by IFAC as a means of achieving the objectives of IES 4.

1. The nature of ethics
2. Differences of detailed rules-based and framework approaches to ethics, their advantages and drawbacks;
3. Compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;
4. Professional behaviour and compliance with technical standards;
5. Concepts of independence, scepticism, accountability and public expectations;
6. Ethics and the profession: social responsibility;
7. Ethics and law, including the relationship between laws, regulations and the public interest;
8. Consequences of unethical behaviour to the individual, to the profession and to society at large;
9. Ethics in relation to business and good governance; and
10. Ethics and the individual professional accountant: whistle blowing, conflicts of interest, ethical dilemmas and their resolution.

This section of the paper now critically examines the implications of prescribing the nature of ethics, the contexts of prescriptive ethics education, the rationale of value transformation, the goal of instilling ethical behaviour, and the related perceptions of ethics education that evolve from the prescriptive topics identified by IFAC.
Prescribing (and defining) ethics
IFAC stresses the importance of acquiring professional values ethics and attitudes, related to ethics (IES 4: 8). However, IES 4 provides little guidance on the meaning of ‘professional values, ethics and attitudes’. In order to understand these terms, one must refer to the glossary provided in IES 4. Professional values, ethics and attitudes are defined by IFAC as: “The professional behaviour and characteristics that identify professional accountants as members of a profession. They include the principles of conduct generally associated with, and considered essential in defining, the distinctive characteristics of professional behaviour” (IFAC, 2003a: 44). In order to better understand this definition, IFAC provides explanatory commentary to the definition which states: “Professional values, ethics, and attitudes include a commitment to technical competence, ethical behaviour (e.g., independence, objectivity, confidentiality, and integrity), professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), pursuit of excellence (e.g., commitment to continual improvement and lifelong learning), and social responsibility (e.g., awareness and consideration of the public interest)”. Professional values, ethics, and attitudes is elaborated with examples in paragraph 41 of the Framework for International Education Standards (IFAC, 2003a: 41), which include: ethical values, professional manner, commitment to high technical standards, sceptical attitude, commitment to continual improvement and life-long learning and appreciation of the public interest.

The definition of professional values, ethics, and attitudes provided by IFAC relies heavily on the code of ethics and the principles of professional conduct such as independence and integrity. However, there is no reference to ethical principles or any theoretical underpinning of ethics and behaviour. The code of ethics as the benchmark for ethical behaviour is further emphasised in IES 4. For example, paragraph 14 of IES 4 states that: “The required values, ethics and attitudes of professional accountants include a commitment to comply with the relevant local codes of ethics which should be in conformity with the IFAC code of ethics.” The basis for professional ethics and values and attitudes is reinforced in paragraph 19 which states: that: “Students need
to be encouraged to study the role of, and critically appraise, relevant codes of ethics. Students need to be encouraged to examine the ethical pronouncements of other professions and examine and discuss other potential approaches for the accountancy profession.”

A definition of professional values, ethics, and attitudes that relies on the code of ethics has important implications. There is a risk that member bodies may adopt a ‘teach the code’ approach to ethics education. This approach to ethics education is 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, accounting educators may discuss the general purpose and content of the code of ethics, with little reference to examples of specific behaviour of an accountant confronted with ethical dilemmas on the job. Additionally, students may be induced to memorise aspects of the code without discursive analysis, thus limiting their understanding of the issues involved (Power, 1991). ‘Teaching the code’ has a tendency to place emphasis on conformity with regulations rather than instilling in the student the underlying values of ethical behaviour. Conformance to rules invites a rigid understanding and interpretation of professional responsibilities that is devoid of professional judgement (Power, 1991). Such an approach to ethics education may well leave accounting students with the view that the code of ethics is all there is to ethical decision-making in the profession. IFAC warns member bodies of the potential implications of adopting the ‘teaching the code’ approach to ethics education (Paragraph 19 IES 4) and the authors believe ethics education should focus on issues and boundaries of the morals of right and wrong, and examine the contexts and complexity in how moral and professional standards apply to business and accounting institutions, policies, and behaviour. (Langenderfer and Rockness, 1989)

To minimise the issues of a ‘teaching the code’ approach to ethics education, it is important that there is a clear definition of ethics and ethics education. In particular, the definition should specify what ethics means for professional accountants. What does an ethical professional accountant mean to society? Ethics, at its most basic level, involves applying moral standards which
comprise the concepts and principles. It involves the process of identifying the ethical and social dimensions of situations, evaluating facts with underlying principles and responsibilities, and applying the understanding of contexts and implications to an action which can be perceived as the most appropriate course to follow. Ethics is studied because there are many competing ‘rights’ and possibly ‘wrongs’ so it is naïve to make assumptions that ethics is simply premised on a prescribed code, or indeed a straightforward application of the moral right. An effective and clear definition of what IFAC considers as professional values, ethics and attitudes will provide a direction to the profession as to how ethics education programs are applied at various levels, including pre qualification and post qualification.

In the list of prescribed topics cited by IES 4 (see above), an understanding of rule-based and framework-based ethics is required. These topics relate to the overall contexts and ethical environment in which ethical behaviour is influenced. It is possible that an overarching ethics framework will provide a better understanding of the dynamics between regulations and ethical norms, and from which various values and principles can be discussed and applied. However, there is limited literature in this field that provides evidence of empirical studies that address the development of an ethics framework for accountants. An ethics framework which affects the accountant may well include forces from the market, the entity and the regulatory regime, but at this stage in the development of ethics in the accounting discipline, there appears to be little evidence of the development of a framework to guide the accounting profession (Leung, 2005).

**Prescribing education to achieve value transformation?**

Critics of ethics education contend that a person’s value system is entrenched early in life through social institutions such as churches, families and local communities and therefore ethics education courses cannot change moral and ethical behaviour. In accordance with this view, a student’s moral standards are firmly entrenched by the time they reach university and are unlikely to be changed by the university curricula (Giacomino, 1992).
According to Wynd et al. (1989), basic values are normally set early in life and will not change unless there occurs a “significant emotional event” and ethics education in university is not likely to stimulate emotions to a degree that will transform one’s attitudes. It is contended that even if attitudes can be changed, one should not assume that all students are immoral (or at least equal) and therefore require moral conversion. Attempting moral change requires a pre-established blueprint for what counts as acceptable moral behaviour, thus stifling critical individual inquiry into what should count as good behaviour. To this end, Callahan (1980) argues that ‘changing attitudes’ is questionable as a goal for teaching ethics; it is more appropriate that the goal of ethics education is to sensitise students with respect to ethical problems and behaviour.

The legitimacy of the moral conversion argument is debatable, yet, in our opinion, it is not a reason to abandon the call for ethics education in the accounting discipline. The goals of teaching ethics should incorporate the teaching of ethical systems of analysis and assist students and future accountants to understand and develop skills to effectively deal with ethical challenges, (Konrad, 1978; Hanson, 1987; McDonald and Donleavy, 1995). It is acknowledged that although ethics education may not convert a ‘deviant’ to a ‘virtuous’ human being, students with good instincts and a genuine concern for others will have the capacity to detect issues more perceptively, to think about them more carefully, and to understand more clearly the reasons for acting morally (Jones, 1988-1989; Cooke and Ryan, 1989). Therefore, the strength of the ‘fixed attitude’ argument depends, in part, upon the goals of ethics education. If the goal is to enable students to learn to understand contexts, and to develop skills to deal with ethical challenges, then accounting educators potentially have an important role in ethics education.

Learning ethical systems of analysis and being aware of alternative courses of action raises the ‘potentiality for change’ (Loeb, 1988). Ethics education can set the scene for moral change with enhanced ethical sensitivity and improved ethical decision-making skills. However, regarding the objective of ethics education, some authors argue further than the mere potentiality for change,
and challenge the very notion of a fixed ethical framework. According to this view, a person's value system is not static and is subject to continued modification through emotional, behavioural, and cognitive interventions (Kohlberg 1969, 1981; Rest, 1986). In fact, Shenkir (1990) suggests attitudinal changes occur through a person's entire educational experience and there is a significant correlation between an individual's moral reasoning and educational process.

Moral development theory assumes that advancement in moral reasoning is not static but is an ongoing process and formal education (including ethics education programs) is found to be a significant predictor of an individual's level of moral judgement (Blasi, 1980; Rest, 1986; Weber, 1990). Proponents of ethics education rely on the correlation between education and moral development to justify the inclusion of ethics into the accounting curriculum (Shenkir, 1990). The issue of whether ethics education can transform one's values is debatable but even if an ethics course cannot transform values, a course can at least develop the critical thinking about values and their importance in influencing ethical behaviour. The relationship between ethics education and ethical behaviour is addressed in the next sub-section.

**From ethics education to ethical behaviour?**

Paragraph 9 of IES 4, perhaps the most debatable aspect of the Standard, alludes to the role of educators and professional bodies in developing and instilling ethical behaviour — “Educators and professional bodies need to distinguish between teaching accountants about professional values, ethics and attitudes; and developing and *instilling ethical behaviour*” (italicised for added emphasis). Similarly, IES 4 paragraph 23 states: “Proper ethical behaviour is as important as technical competence”. According to IFAC’s education standards, accounting professionals must not only be technically competent; they must also be able to deal with situations where the facts are ambiguous or stakeholders’ interests’ conflict, and consequently be committed to take the morally appropriate action. Accordingly, these standards imply that
it is not enough to identify moral principles and standards; ethics education must elevate the levels of ethical behaviour of practising accountants (Dean, 1997).

Ethical behaviour reflects both individual and situational influences, and is shaped by the environment in which one works, even if initial judgement differs from ultimate behaviour. Students typically learn principles of good conduct from their educational experience then receive advice and observe how significant others behave in the workplace. However, successful ethics education does not guarantee accompanying changes in behaviour when students enter the workforce (Trevino, 1986). Armstrong et al., (2003, p.10) claim that changing ethical behaviour “is probably beyond accounting educators’ capabilities”.

Prior literature has shown that moral behaviour is not the result of a single, unitary process (Rest, 1986a). Rest (1983) constructed a four-component framework to examine the development of individual moral thought processes and behaviour. He posited that to behave morally, a person must have performed beforehand at least four basic psychological processes (see Table 1). A detailed discussion of Rest’s four components is beyond the scope of this paper. However it is important to note that all four components are considered to be determinants of moral action and they interact with each other. Rest (1986a) explains that the four components do not occur in a temporal order; rather, they comprise a logical analysis of what it takes to behave morally.

Professional attitudes and ethical behaviour may also develop from an acculturation process that affects individuals through identification, compliance, and eventual internalisation of the workplace groups’ values (Douglas et al., 1995). Jones and Hiltebeitel (1995) contend that moral attitudes change as new accountants assimilate into the profession and are influenced by the model of behaviour demonstrated by their superiors and
industry practice. One implication for entry-level accountants is that they will only make morally defendable decisions if the business environment supports that view. Wilkinson et al. (2003) examined the acculturation process of entry-level accountants employed by large accounting firms. Their findings indicate a consistent systematic application of acculturation by all of the then Big 5 accounting firms in their recruitment and retention processes. The authors raise concerns that such strategies develop a degree of conformity among staff, resulting in a situation where potential professional accountants no longer learn to think independently. In practice, one possible outcome of acculturation is that cases involving the public interest may be relegated to perhaps a single team leader or an allegiance to the firm to formulate a decision.

The early work of Arlow and Ulrich (1980) noted the potential impact of the socialisation-effect described above. They found that ethics education improves the ethical awareness of business students, but the effect is not enduring. A follow up study four years later found that test scores of the respondents were generally consistent with levels prior to undertaking the ethics course. Welton et al. (1994) similarly discovered initial improvement in ethical reasoning but test scores reverted to pre-test levels after only a six-month interval, indicating that the effects of ethics interventions are transitory (La Grone et al., 1996).

Earley and Kelly (2004) conducted tests on students’ moral reasoning based on different educational interventions in an auditing course. Results of the moral development of students between the pre-Enron and post-Enron period indicate increases in the scores for the Accounting Ethical Dilemma Instrument (Thorne, 2000) but there was no corresponding increase in the Defining Issues Test (Rest, 1986b) on general business ethical development. While a number of business schools have developed innovative strategies for engaging students in the challenge of providing ethical leadership, the assumption of many faculty and program leaders that the majority of students are being adequately prepared in this domain is highly questionable. (AACSB 2004). In a stronger vein, Swanson (2005) argued that the majority of schools
were not rising to the challenge in the post-Enron era. Less than 25% of the United States’ 50 top business schools teach ethics in a stand-alone course (MacLean and Litzky, 2003) and only a third of all US accredited business schools require an ethics course (Willen 2004). Swanson believes that there is a stronger need to restore confidence in business education, let alone the accounting profession (Swanson, 2005).

These findings suggest that the interest and perceived impact of ethics education is temporal. Ravenscroft and Williams’ (2004) contention is that a more critical examination of the entire accounting curriculum is therefore warranted. These conclusions about the acquisition of professional values, ethics and attitudes also suggest that there is a need to create ethics education programs that continue after one’s formal education, and as part of lifelong learning (IES 4: 9). Thus, the responsibility to teach ethics and to show what it means to be ethical may well be the responsibility of the profession and the employing organisations, as well as the academic institutions.

The issue of acculturation is closely associated with organisational leadership in developing ethics in the accounting profession as research on leadership in the past decade has focused on the transformational theory of leadership. This theory of leadership is arguably the most dominant model of effective leadership (House and Shamir, 1993). Transformational leaders motivate their followers to perform beyond expectations by making them more aware of the importance and value of goals, inducing them to transcend self-interest for the good of higher order needs (Bass, 1985). While theories of transformational leadership differ in some of the specific leadership behaviours, all theories posit trust as a central feature of the relationship such leaders have with their followers, and postulate that it is through this trust and respect that they are motivated to perform. It is clear that through the exercise of prescribing ethics education for its member bodies, IFAC has embarked on a leading role in transforming professional values of accountants at a global level.
If ethics education is a journey of developing ethical sensitivity and moral development, it should not be taken out of its contextual surroundings and should not centre on formal education alone. In this journey, a person becomes aware of the ethical dimensions of a matter, develops the capability to reflect on norms and values in order to differentiate and identify the boundaries of rights and wrongs, and learn the means to reach a decision and the methodology for actioning such ethical decisions. Ethics education provides a means by which such skills may be developed. Therefore, it is argued that ethics education centres on thinking about ethical issues and how students as individuals will face the issues before they are confronted with real-world dilemmas. While the prescribed topics identified in IES 4 are relevant to the understanding of the ethical issues related to accounting, it is perhaps appropriate that the contextual nature in the process of sensitisation and development of ethical skills should be essential elements in such a program. Also, acknowledging the difficulties experienced by accountants in the transfer of ethical training to the business environment should not signal the demise of ethics education but an indication that ethics education should pay more attention to the mechanisms by which the transfer becomes effective (McDonald and Donleavy, 1995). Dean (1997) claims that ultimately there must be an effort to integrate or reduce the gap between theory and practice in providing ethics education.

**Prescribing ethics education across different cultures**

The Education Committee of IFAC has identified that it has an obligation to bring together the developed and developing nations to assist in the advancement of accountancy education programs worldwide (IFAC 2003a: 2) IFAC recognise the difficulties associated with the international dimension of its member bodies (IES 4: 3). For example, “the [Education] Committee is conscious of the wide diversity of culture, language, educational, legal, and social systems” (IFAC, 2003a: 6), given that it has 160 professional accounting member bodies worldwide. Similarly, IFAC recognize that member bodies may be at different stages in their development of their education
programs and compliance with the IESs. Some member bodies may have already addressed most or all of the requirements in the IESs; others may find them challenging (IFAC 2003b: 5).

To prescribe a system of education that is rigid and inflexible may be counterproductive, particularly for nations that view the international education standards as less relevant to their circumstances. Therefore, IFAC proposes to allow member bodies’ discretion and flexibility within IESs to determine their own detailed requirements (IFAC, 2003b: 21). In essence, the IESs establish only the essential elements on which programs for all professional accountants should be founded (IFAC, 2003a: 6). While member bodies must comply with IESs, it is acknowledged that needs vary and compliance with IESs may occur in a variety of different but equivalent ways.

Irrespective of the extent to which member bodies meet the requirements of IES 4, the consistent application of IES 4 will be difficult, given the diversity in development of the profession in various countries/cultures throughout the world. Walker and Jeurissin (2003) cite a number of studies that suggest cultural factors have an effect on the ethical beliefs and attitudes of managers. Therefore, it is not unreasonable to expect that individuals from different cultures have distinct conceptions of what are ethical and unethical behaviours, and in turn, influence ethical decision-making in accounting. For example, the notion of independence may be perceived differently by accountants from western countries compared to accountants from non-western countries (Cohen et al., 1995). Values such as freedom of speech and speaking one’s mind are seen as a virtue in individualistic western cultures, whereas in non-western collectivist societies, it is considered rude and undesirable. In some societies, preferential treatment is viewed as acceptable. Therefore, in situations involving pressures from superiors to cover up transgressions, different cultures may participate more willingly compared with other cultures that may interpret this event as coercion (Cohen et al. 1995).
The notion that ethics and values differ between cultures is premised on the notion of cultural relativism, that is, the standard that guides behaviour are those established by the host country. Cultural relativism is based on the moral norms of the society in which the behaviour takes place. Any act inconsistent with host norms is considered to be morally wrong. The cultural relativist creed of ‘when in Rome do as the Romans do’, is predicated on the belief that there is no single moral standard, only local moral practices that indicate what is morally acceptable behaviour. Therefore, a relativist relies on local norms for defining their ethical standards and if norms differ from country to country, then ethical decisions will also differ. However, the extent to which values truly differ between cultures is debatable. According to Kohlberg (1981), specific cultural mores seemingly create different core value systems but beneath the surface are deep structural conceptions that are universal to all cultures. According this view, the differences in values between cultures are superficial only and there are certain fundamental values that are common to all cultures (Rest, 1986a). For example, while people will express their affection in different ways, affection has been established in all cultures. Rest (1986a) reviewed a number of studies investigating moral reasoning levels in various cultures and found there were more similarities than differences between the cultures. Rest’s (1986a) findings indicate that differences in moral reasoning levels between cultures is small and in many cases, non-western cultures scored higher test results than some typical western cultures.

While there is a growing body of literature on accounting ethics, only a small number of studies have examined the influence of culture on ethical decision-making (Goodwin et. al., 2000). Few studies have been conducted outside North America (Clarke et. al., 1996) and even fewer studies link findings to national cultural differences (Cohen et. al., 1995). In the main, empirical evidence indicates that culture does not have a significant affect on moral development. Thorne (1999) contends that further research is required to develop a better understanding of the association between cultural background and moral development. The internationalisation of accounting education in ethics, or any other functional discipline of accounting, requires
more information on the nature and extent of cultural diversity before it can be consistently applied. Imposing IES 4 — a standard based on predominantly western values — on all cultures may be viewed by some as a form of moral authoritarianism. Therefore, one should be conscious of the practices of other cultures and to instil a greater understanding and sensitivity to the cultural factors underlying the differences countries (Waldman, 2000). However, it is incorrect to assume that culture is a barrier that cannot be overcome. In fact, the barriers, if any, created by culture may not be as great as some may assume. It is not the purpose of this paper to provide a comprehensive analysis of cross-cultural ethics research but simply to highlight cultural problems with internationalising ethics education.

IMPLEMENTING ETHICS IN THE ACCOUNTING CURRICULUM

This section of the paper briefly examines some of the implications of prescribing ethics education in the accounting curriculum, by exploring curriculum space and resourcing of programs.

According to IFAC, the significance of ethics education may warrant the treatment of ethics as a separate subject (see IES 4: 17). However, the inability to introduce new subjects 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 comes 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). 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 (Power, 1991).

Once a decision has been made to incorporate ethics in the curriculum, whether it be at the pre qualifying or post qualifying level, accounting educators immediately face issues of resourcing. A number of deficiencies have been detected in course materials on ethics. First, there are few ethics case studies in accounting and finance addressing ethical issues, and only a small number in marketing (Pamental, 1989). Second, identified case studies have predominantly been concerned with incidents in manufacturing organisations, leaving the potential for students to exit a business ethics course with a mistaken notion of the types of firms in which ethical issues are likely to arise (Pamental, 1989). Third, business ethics textbooks are typically too philosophical and much of the material is directed at issues that are more specifically encountered by upper level managers and CEOs. The bias toward top executive dilemmas adds a further dimension to the learning of business ethics, when the majority of graduates are typically employed in middle to lower level posts (Mathison, 1988; Cooke and Ryan, 1989). Consequently when ethics is being taught, it is at a level that typically students will not be functioning at, thus creating a gap in classroom materials. Fourth, textbook coverage has traditionally been minimal at best, with coverage focusing predominantly on the Code of Professional Conduct (Wyer, 1987). Fifth, even though ethics education is most frequently addressed in auditing courses, the most popular auditing textbooks tend to devote only one chapter specifically to the subject of ethics and avoid any consideration of ethical principles, or reduce ethical principles to a mechanistic following of written behavioural guidelines (Puxty et al., 1994). Finally, 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).
It will be difficult to effectively apply IES 4 until the problem with resources is overcome. The problem relating to reference materials is continually being addressed by organisations such as the professional accounting bodies and local publishers. However, the problems mentioned above are likely to continue until the discipline of ethics develops a level of maturity similar to that of the traditional disciplines.

CONCLUSION

This paper has attempted to consider the thrust of IES 4 on Professional Values, Ethics and Attitudes and address the issues that surround the concept of prescribing ethics education and its implementation in the curriculum. As IFAC has taken on the leadership role of defining the ethical educational requirements for future accountants at a global level, the implications of IES 4 must be fully appreciated in order to avoid it becoming rhetorical. Discussion in this paper highlights the need to define ethics, professional values and attitudes applicable to accountants, evaluate the rationale and goals for ethics education, minimise misconceptions and provide clear guidelines and methodology for ethics education and development programs feasible in different cultures and environment.

While limited research has been done on the ethics framework for accountants, the dimension of Professional values, ethics and attitudes should be explained, defined and supported by the IFAC Code of Ethics. It is acknowledged that a person’s value system is not likely to be static and is consequently subject to modification through interventions such as educational experience. Ethics education provides a system which sets the scene for moral change with enhanced ethical sensitivity and improved ethical decision-making skills. Furthermore, in order to instil the significance of ethical behaviour, teaching ethics must be accompanied with practical application. Thus, ethics education must not only be taught; it should be reinforced by business organisations and professional leaders. The relationship between ethics education and ethical behaviour must be understood and communicated as a long term commitment of the profession,
not merely as a response to accounting scandals. IFAC also recognises the impact of cultural differences. Considerations of different cultural practices should be embedded within the guidelines for implementing ethics education.

This paper has identified some of the implications in developing ethics education, including the lack of legitimacy in accounting ethics research and the problems relating to the lack of opportunities and understanding in academe regarding the role of accounting curriculum in ethics education and development. The technical bias in the accounting education curriculum; the overcrowded nature of the curriculum; inadequacy of resources; and the arguably perceived lack of a responsible atmosphere in some institutions have been highlighted in the discussion.

As a means of addressing the issues of implementation, the IFAC Education Committee has commissioned a research project on *Approaches to the development and maintenance of professional values and ethics in accounting education programs*, which was conducted by the authors of this paper during 2004/2005. The project aims to provide some informed and practical guidance to IFAC member bodies, accounting academics and others responsible for the education and development of professional accountants in the implementation and maintenance of professional values, ethics and attitudes. The outcome of the project includes a research report which evaluates the findings and the existent literature on good practice, a proposed *International Education Guideline* on ethics education and a toolkit for member bodies in the implementation of IES 4.

Further research opportunities exist in identifying the strategies for implementation of IES 4 by member bodies of IFAC and importantly, in the longer term, an evaluation of the impact of IES 4 in increasing the ethical leadership in the accounting profession. The ability of the accounting profession to respond to criticism that has resulted from the most recent spate of corporate collapses is vital for its future as a rigorous and credible profession that contributes to the global economy.
REFERENCES


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Table 1 Rest's Four Component Model

<table>
<thead>
<tr>
<th>Psychological Processes</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. moral sensitivity</td>
<td>Evaluating the problem and identifying ethical implications;</td>
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<tr>
<td>2. moral judgement,</td>
<td>Making judgements about possible actions and whether they are supported by moral principles, differentiating right from wrong and understanding the complexity of unclear choices</td>
</tr>
<tr>
<td>3. moral motivation</td>
<td>Prioritising moral values relative to other values;</td>
</tr>
<tr>
<td>4. moral character</td>
<td>Developing the strength of character and courage to persist and overcome distractions and pressure in order to carry out the moral action.</td>
</tr>
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