Cooper, Barry, Leung, Philomena, Dellaportas, Steven, Jackling, Beverley and Wong, Grace 2008, Ethics education for accounting students - a toolkit approach, Accounting education, vol. 17, no. 4, pp. 405-430.

This is the postprint version.

This is an Accepted Manuscript of an article published by Taylor & Francis in Accounting education in 2008, available at: http://www.tandfonline.com/10.1080/09639280802436681

©2008, Taylor & Francis

Reproduced by Deakin University with the kind permission of the copyright owner.

Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30017468
Ethics education for accounting students – a toolkit approach

Submitted to

Accounting Education: An International Journal

Special Issue on Teaching Resources in Accounting and Finance

Barry J. Cooper*
Deakin University, Australia

Philomena Leung
Deakin University, Australia

Steven Dellaportas
Deakin University, Australia

Beverley Jackling
RMIT University, Australia

Grace Wong
RMIT University, Australia

*Corresponding author.
School of Accounting, Economics and Finance
Faculty of Business and Law
Deakin University, 221 Burwood Highway, Burwood, Victoria, 3125, Australia.
Email: barry.cooper@deakin.edu.au
Tel: +61 3 522 72733
Fax: 61 3 5227 2151

Note: The IFAC report on Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs, which underpins this paper, was researched and written by Professor Philomena Leung (project leader); Professor Barry J. Cooper; Associate Professor Steven Dellaportas; Assoc. Professor Beverley Jackling and Heather Leslie. Acknowledgement is also given to The Institute of Chartered Accountants in Australia, who generously allowed IFAC to use the case studies and videotapes included in the Ethics Education Toolkit, discussed in this paper.
Ethics education for accounting students – a toolkit approach

Abstract

In 2006, the International Accounting Education Standards Board (IAESB), an independent standard-setting board of the International Federation of Accountants (IFAC) released an information paper entitled Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs (IFAC, 2006a). The information paper stems from a global research project on ethics education in the accounting profession and is designed to stimulate discussion and debate on the subject of ethics education. Included in the information paper is the provision of an Ethics Education Toolkit to encourage and assist accounting educators and member bodies of IFAC to implement ethics education programs. Through a review of the literature, this paper considers why we should teach ethics, the types of ethics interventions that have been undertaken and the issues in teaching ethics to accountancy students. The paper then describes in detail the Ethics Education Toolkit as a teaching resource and provides some evidence of the positive feedback from students who are taught ethics, based on the principles and practice included in the Toolkit.

Key words: accounting education, teaching ethics, ethics interventions, IFAC, ethics education framework, toolkit.
Introduction

The International Accounting Education Standards Board (IAESB), an independent standard-setting board of the International Federation of Accountants (IFAC), released in 2006 an information paper (IP) titled *Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs* (IFAC, 2006a). According to the IAESB Chairman, Henry Saville, "The paper is the result of a wide-ranging research project into ethics education in the worldwide accountancy profession. It is designed to stimulate discussion and debate on the subject of ethics education. The paper, and the findings of the independent research team, will be of interest and benefit to IFAC member bodies, regional accountancy organizations, accounting educators and others seeking to implement ethics education programs for professional accountants." (IFAC, 2006a). The IP is developed from the findings of a research project underpinned by an extensive literature review, two online surveys of IFAC member bodies and other stakeholders, including individual and focus group interviews with 113 individuals internationally.¹ In addition to the release of the IP, the research project served as the basis for the development of an International Education Practice Statement (IEPS) similarly titled *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes*. The IEPS, issued in September 2006 in exposure draft form, is based on the proposed adoption of a flexible Ethics Education Framework (EEF) primarily designed to assist IFAC member bodies with developing and maintaining programs of education and development on professional values, ethics and attitudes at both the pre- and post-

¹ A copy of the IP and research report is available in the IFAC website at: http://www.ifac.org/Education/ProjectHistory.php?ProjID=0026
qualifying levels of membership with professional bodies. Under the EFF, the objectives of ethics education are staged in a hierarchical order comprising knowledge, sensitivity, judgment and behaviour. The EEF emphasizes the development of ethics knowledge and ethical sensitivity at an early stage in pre-qualification education, before enabling students and professional accountants to demonstrate their ethical judgment and decision-making skills. It also reinforces the need for accountants to make an ongoing commitment to ethical behaviour with ethics training that emphasises ethical action and practice in post-qualification education or continuing professional development programs (IFAC, 2006a).

One outcome of the research project is the development of the *Ethics Education Toolkit* (Toolkit) to support the IEPS. The Toolkit was developed as a resource to assist member bodies of IFAC to implement the IEPS. The Toolkit includes sample course outlines, teaching notes, case studies, video clips of ethical dilemmas and a database of ethics education resource materials. The purpose of this paper is to consider why we should teach ethics, the types of ethics interventions that have been undertaken and the issues in teaching ethics to accountancy students. Given this background, the paper then describes the Toolkit referred to above, including its applications in the classroom, potential benefits, and evidence of the positive feedback from a group of students who are taught ethics, based on the principles and practice included in the Toolkit.

---

2 The pre-qualifying level means the period before qualification as an individual member of an IFAC member body, whereas the post-qualifying level means the period after qualification as an individual member of an IFAC member body.

3 The Toolkit can be viewed and downloaded from the IFAC website at: [http://www.ifac.org/Store/Category.tmpl?Category=Education](http://www.ifac.org/Store/Category.tmpl?Category=Education).
Why teach ethics?

The early study by Leung and Cooper (1995) on accounting ethics demonstrated that the maintenance of ethical standards was fundamental to the credibility of the accounting profession in Australia. Subsequent studies by Mangos et al. (1997) and Jakubowski et al. (2002), further reinforced the importance of ethics to the profession in maintaining its position of public trust in the eyes of the community. However, corporate collapses such as HIH Insurance and One.Tel in Australia; Enron, WorldCom and Global Crossing in the United States; Parmalat in Europe; and the implosion of the global accounting firm Arthur Andersen, have all led the public to question the ethical standards in business and the accounting profession. As observed by Armstrong et al., (2003, p. 1), “…..one can hardly pick up a business publication today without noting some reference to an accounting scandal …. The sheer number of accounting abuses serves as prima facie evidence that something more is needed in terms of accounting ethics……” The subsequent spate of legislative reforms such as the Sarbanes-Oxley Act (2002) in the United States and the CLERP 9 Act (2004) in Australia, are just two examples of the regulatory response in a period when the accounting profession arguably lost its way. As well as the regulatory response, enriching ethics in accounting education and improving the moral behaviour of accountants has also been called upon to restore the credibility of the profession (McPhail, 2001). Given this background, IFAC has taken a leading role in sponsoring the development of an EEF and an ethics education toolkit for education providers to use in the classroom (IFAC, 2006a; 2006b).
Calls for ethics education in the business curricula coincide with the historical development of business ethics as a field of enquiry. The study of business ethics began early in the twentieth century and has since evolved through a number of phases culminating in a distinct field of inquiry supporting academic programs and research (Lovell, 2004). Ethics education gained prominence in the late twentieth century (1970s and 1980s). The extent of ethics education and efforts devoted to the development of teaching resources has steadily increased since Bok’s (1976) call for greater ethics education in business degree programs. Research in ethics education has received increasing attention from the academic community as well as the peak accounting associations that promote and strengthen the reputation and integrity of the profession. For example, The Institute of Chartered Accountants of Scotland (ICAS) recently produced four monographs on ethics in accounting

There is also growing evidence of the academic community responding to the call for greater ethics education with an increasing number of institutions offering a separate course in ethics or integrating ethics subject matter in existing courses (Milton-Smith, 1996). However, the evidence on a global scale is not consistent. In the U.S. there appears to be a downward trend in business ethics courses in spite of legislative reforms reinforcing the need for additional ethics education (Fisher et al. 2007). Furthermore, when ethics is taught, the time spent on ethics education arguably remains inadequate (Fisher et al. 2007; McNair and Milam, 1993; Cohen and Pant, 1989). Also, in spite of

---

4 Details of the monographs can be viewed at: http://www.icas.org.uk/site/cms/contentviewarticle.asp?article=3751.
the increasing attention given to ethics education, researchers continue to claim that ethics education in accounting is still not covered in a significant way in most institutions of higher learning (Fisher et al, 2007, Swanson, 2005; Gaa and Thorne, 2004; Lampe, 1996). Gaa and Thorne (2004, p.1) note that “…it is apparent that ethics has not been given the prominence in the classroom that it requires”. Gaa and Thorne (2004) quote a study on the accounting curriculum by PricewaterhouseCoopers (2003) which indicated that ethics is not a consistent and integrated part of the education of most accounting students. With limited ethics coverage in the business and accounting curriculum, it is unlikely that accounting students and trainees will have sufficient training in ethics. The question of whether ethics can and should be taught has been extensively addressed in the literature with the literature turning towards developing ways to teach ethics effectively (see for example: McDonald and Donleavy, 1995; Kerr and Smith, 1995; Gray et al., 1994). Consequently, the focus of this paper is to emphasise the Ethics Education Toolkit as a teaching resource and an example of how it can be employed to teach ethics effectively. With increasing attention given by the academic community to ethics education and research, combined with the advent of additional resources such as the Toolkit and the promotion of ethics by professional accounting bodies, the ethics education landscape is likely to change.

**Ethics interventions**

Ethics interventions are deliberate educational attempts designed to promote ethical awareness and decision-making. The support for ethics intervention, is based on the premise that ethical awareness and decision-making can be enhanced through the
educational process. The effect of deliberate ethics interventions is an important question if ethics education is to be incorporated into accounting degree programs. Empirical evidence indicates that the effect of ethics interventions on students’ ethical reasoning and development is mixed. Armstrong (1993), Shaub (1994) and Welton et al. (1994) discovered a positive effect of changes in ethical reasoning, whereas St Pierre et al. (1990), Ponemon (1993) and Lampe (1996) found no significant change. One school of thought suggests that accounting education may actually inhibit students’ progression to higher levels of moral reasoning and ethical awareness compared with other professions (McPhail, 1999; Walkey and Purchas, 1997). Furthermore, it has been claimed that accounting students often display lower levels of ethical maturity than students in other disciplines (McPhail and Gray, 1996; Ponemon and Glazer, 1990; St. Pierre et al. 1990). McPhail (2001) suggests that accounting education fosters the dehumanization of accountants by developing professional accountants who lack empathy toward others. The lack of proximity of accountants to the harm that may result from the work that accountants produce masks the relationship between accounting and its consequences. Representing people in quantitative terms reduces the moral significance of the decisions based on accounting information. Therefore, according to McPhail (2001), humanising accounting education is critical to developing an attachment or empathy to others, a fundamental aspect of ethical behaviour.

A discrete course in ethics education is one potential way to humanise accounting students. The early work of Armstrong (1993) discovered a positive effect on students’ moral reasoning with test scores increasing beyond that which is expected to occur naturally. In a
more recent study on ethical sensitivity of accounting students, Chan and Leung (2006) found that accounting students vary in their ability to detect the presence of ethical issues in a professional scenario and that there is no significant relationship between accounting students’ ethical sensitivity and their ethical reasoning. The results of the study also indicate that ethics intervention may have a positive effect on accounting students’ ethical sensitivity development. Hence, an individual who possesses the ability to determine what is ethically right or wrong (high ethical reasoning) may fail to behave ethically due to a deficiency in identifying ethical issues (low ethical sensitivity) in a situation. Research by Dellaportas (2006) found that a discrete intervention emphasising dilemma discussion has a positive and significant effect on students’ moral reasoning and development. The interview data in Dellaportas (2006) suggests that the salient influences on moral judgment development include learning ethics theory, particularly Kohlberg’s theory of cognitive moral reasoning and development, peer learning and moral discourse. The implications from the findings in the above studies suggest that accounting ethics interventions can have a positive effect on students’ ethical sensitivity and reasoning.

McWilliams and Nahavandi (2006) contend that many studies show that ethics education leads to more complex and flexible thinking (e.g., Carlson and Burke, 1998). Instruction in ethics can have a positive impact because it reinforces existing values and teaches ethical reasoning and application (Menzel, 1997). By exposing students to ethical concepts and applications, we prepare them so that they are not surprised by the challenges they may eventually face. Therefore, courses in ethics can be a powerful means of raising awareness (McDonald and Donleavy, 1995), promoting moral
development and teaching students how to handle complex situations (Williams and Dewett, 2005).

While there are various ways ethics can be taught, the case-based method is one of the most popular methods for teaching ethics (Winston, 2000; Thorne et al. 1999). Case analysis can provide discussion of simple issues or complex dilemmas requiring students to draw on their cognitive skills, personal insight and imagination for their conclusions and recommendations (MacClagan, 2003). However, in a study of course syllabi for courses in business ethics, Pamental (1989) detected virtually no case studies in accounting and finance. Additionally, many of the identified case studies were concerned solely with incidents in manufacturing organisations, creating 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. Furthermore, Mathison, (1988) argued that business ethics textbooks are too philosophical and much of the material is directed at issues faced by upper level managers and CEOs. This bias toward top executive dilemmas presents an irrelevant dimension to the learning of business ethics, when the majority of students will end up in middle to lower level posts.

Wyer (1987) and Puxty et al. (1994) have observed that the manner in which accounting and auditing textbooks cover ethical situations is scant, with coverage focusing predominantly on the Code of Professional Conduct. The superficial textbook treatment creates the impression that ethics is of relatively little importance. These limitations were addressed in part with a book of cases on ethics (Ethics Casebook: Ethics in the Accounting
Curriculum 1994) developed by the American Accounting Association (AAA). This book is considered a milestone in accounting ethics education. However, with 14 years having passed since its publication, it is now time for the next landmark development in the production of ethics education teaching materials. The Toolkit incorporates the case approach to ethics education (including the use of videos) combined with traditional lecture/tutorial approaches common in most accounting programs and a syllabus embedded in an integrated ethics education framework. It is the contention of this paper that ethics interventions have (or can have) positive effects on students’ ethical awareness, sensitivity, judgment and behaviour. The Toolkit described in this paper is one means to help address the issue and counteract the limitations of ethics education discussed above.

The Ethics Education Toolkit

Background to the development of the Toolkit

Leung and Cooper (1994) reported on their experiences in teaching ethics as a pioneering compulsory course in the then new accountancy degree program at Hong Kong Polytechnic in 1990. Well ahead of its time, the Department of Accountancy at Hong Kong Polytechnic introduced its compulsory ethics course with the objective of sensitising students to the ethical issues they would face in their careers as professional accountants. The staff had some trepidation about teaching such an innovative course and an experienced professor from the United States was contracted to make two visits, one to help develop the ethics course and the second visit to assist with implementation. This pioneering course in Hong Kong was to be the forerunner of the compulsory Ethical Issues in Accountancy course launched by the School of Accounting and Law at RMIT University, Melbourne, in 1995.
The development of this course provided the experience that led ultimately to the development of the Toolkit. Much of the material for the Toolkit was developed over a number of years by three of the authors of this paper and four of the authors have either taught for a number of years, or currently teach Ethical Issues in Accountancy. Thus years of research and experience have informed the development of the Toolkit. The Toolkit has been made available on CD rom to IFAC’s member bodies. Each professional accounting body that is a member of IFAC is authorised to distribute copies of the Toolkit to interested educators.

**Structure and Content of the Toolkit**

Accountants must be able to make ethically informed decisions in the face of conflict and then follow through with appropriate responsible actions. The ethics education framework (EEF), developed as part of the research project, is designed to provide a learning structure in which ethical issues are identified, analysed and ethical competencies developed to resolve ethical issues to the point of action. The EEF recommended in the IP offers a flexible structural design for educational institutions and instructors to develop and maintain a program of ethics education.

The EEF is a four-stage learning continuum with each stage representing a key and distinct objective of ethics education that begins with knowledge on ethics and ends with ethical action (refer to Table 1 for a definition of the stages and their objectives). The four components of ethical decision-making and behaviour identified by Rest (1986) and the cognitive and behavioural objectives of ethics education which include ethical sensitivity, awareness and behaviour, provide the foundation for developing the stages (see for
example: Bok, 1976; Callahan, 1980; Caplan, 1980; Hanson, 1987; Gandz and Hayes, 1988; Loeb, 1988; Jones, 1988-1989; Pamental, 1989; Sims and Sims, 1991; Huss and Patterson, 1993; McPhail 2001). The four stages in the learning continuum introduce ethical concepts and then reinforce and develop new levels of understanding with progressive stages. This design enables ethics subject matter to be taught in stages and provides a cumulative process of learning with each stage representing different objectives. Students move from learning knowledge of ethics to a broader understanding of ethics that includes awareness, judgement and behaviour.\(^5\)

**Insert Table 1 about here**

The Toolkit is a comprehensive electronic package that consists of a variety of teaching resources. This includes a range of topics with supporting material; web-links to teaching resources available from around the world; the IFAC *Code of Ethics for Professional Accountants*; power-points from a sample course currently being taught at an Australian university; five case studies with supporting videos that can be shown in the classroom; International Education Standard 4 *Professional Values, Ethics and Attitudes* (IES 4) (IFAC, 2006c); and the IFAC IP on *Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs*. Below is one frame that outlines the layout of the Toolkit. Column 1 of each frame lists the topics down the left hand side of the frame. The top row of the Frame displays the objectives of the various topics at each stage of the learning continuum. By clicking on “Concepts and Values” (Topic 2), then “Knowledge”(stage 1), then drilling deeper on to 1.1.1 “Defining

\(^5\) Interested parties should refer to the IP for a full discussion of the EEF.
ethics,” the detail of the items that can or should be taught in this topic to enhance knowledge is shown in the panel on the right side of the Frame (see Frame 1). Clicking the various tabs on the top row will highlight the detailed content in topic two for each stage or objective. In principle, stage two applies the basic ethical principles introduced in stage one to the relevant topic areas. Stage three is an application stage, where individuals learn how to integrate and apply ethics knowledge and sensitivity to derive a reasoned and well informed decision, and stage four is concerned with how to behave ethically in situational or contextual environments such as the workplace.

A detailed description of the topics, including the items that should be included in the four stages of the EEF, is shown in Appendix 1. While allowing for flexibility in the development of the topics and content, one goal of the Toolkit is to provide sufficient material to assist an instructor to construct a detailed course guide, together with aims and background information on how to best present the topics using the Toolkit. The nature and content of the topics listed in these frames are influenced by the minimum requirements outlined in paragraph 14 of IES 4 and the results of the IFAC sponsored IP discussed above. It is expected that topic listings for individual courses will vary in instances of different jurisdictions, cultural backgrounds and individual preferences. One should remember that the Toolkit is a sample program of ethics education, not a definitive program, and which may be adopted by IFAC member bodies and accounting educators in whole or part.

Insert Toolkit Frame 1 about here
Case studies and accompanying videos

The video-based case scenarios in the Toolkit invite participants to consider various aspects of accountability and responsibility for business decisions. They promote discussion of various approaches to handling ethical threats, to avoid compromises and to resolve demands on an accountant's integrity. The aim of the videos is to provide visual stimuli and immerse students in an ethical issue that takes participants from the abstract study of ethical principles to the emotional and ambiguous task of dealing with specific ethical threats and seeking appropriate safeguards. The video-based case studies comprise five scenarios, each illustrating a different ethical dilemma [What a Plan — financial planning; What a Waste — the environment; Country Practice — regional culture; No Control — internal audit; and A New Job — public practice]. A brief description of each case is provided in Appendix 2. Each scenario is an individual file on the Toolkit CD Rom which provides opportunity to discuss each video in turn. Each scenario is designed to promote discussion of the ethical threats which it raises, but does not resolve the dilemma. These issues vary from scenario to scenario and the discussion may also vary according to the different audience. However, certain general discussion points are common to all the scenarios. These points are provided in the Toolkit to aid discussion in the classroom, training seminars or open forums. General areas of discussion include the facts of the case; the relevant ethical principles, theories and standards of conduct expected of accountants; identification of the stakeholders (i.e. all parties affected or likely to be affected by the situation); the possible alternatives; the ethical issues arising from these alternatives; the practical constraints; what actions could be taken; and whether the situation could have been approached differently.
Included in Appendix 2, is an illustration of the content in print form of the case titled *What a Plan*. The case materials provide an outline of the case facts and issues pertinent to the case, together with a solution of the suggested alternative courses of action using the American Accounting Association (AAA) ethical decision-making model,\(^6\) which is described in the Toolkit. Educators have the option to give the facts of the case to the students for private study before class and then show the video in class. The students are then asked to analyse the case using the AAA ethical decision-making model and later in the class the solution is provided and discussed. The cases and videos have been used for a number of years in the ethical decision-making section of the Ethical Issues in Accountancy course at RMIT University and have always proved very popular with the students.

**And what do the students think?**

Intervention studies on ethics education typically assess the effect on students’ ethical sensitivity or moral judgement (stages 2, 3 and 4 of the EEF). However few studies, if any, seek opinions from the recipients of ethics education, namely the students, on what they really think about an ethics course. Every year, the Ethical Issues in Accountancy course mentioned above is evaluated by students using a Course Experience Survey (CES), closely modelled on the instrument that the Australian government uses for student evaluation of undergraduate programs. The CES covers a series of questions covering

everything from how helpful the lecturers are to the condition of the classrooms, and the instrument also provides for written comments on various aspects of a course. The CES administered to students in 2006 reveals that Ethical Issues in Accountancy is the most popular of all compulsory courses taught in the accounting degree and in fact of all courses offered in the School, ethical issues course was outranked in terms of overall student satisfaction rating by only one small elective course. When one considers that by its very nature a compulsory ethics course is intuitively unlikely to be popular with accountancy students, the results of the CES are somewhat enlightening from a teacher’s perspective. The questions asked about the ethics course (first two columns) on a 5 point scale from strongly disagree 1 to strongly agree 5 (with means), with comparative figures for the average of all courses in the degree (third and fourth columns) is provided below in Table 2.

Insert Table 2 about here

The data in Table 2 provide considerable positive feedback from the students in terms of what they think about the ethics course vis a vis the overall average for all courses in the degree program. Some responses in particular are noteworthy, such as this course contributes to my confidence in tackling unfamiliar problems (3.8/3.1); assessment tasks in this course require me to demonstrate what I am learning (4.1/3.6); the teaching staff in this course motivate me to do my best work (3.9/3.2); there is a good balance between theory and practice (3.6/3.2); the teaching staff work hard to make this course interesting (4.1/3.4); I can see how I'll be able to use what I am learning in this course in my career
(4.0/3.5); and finally, overall, I am satisfied with the quality of this course (4.0/3.4). For each item in the evaluation, between-subjects $t$ tests were conducted and the results indicate that there were significant differences ($p<.001$) between the two means for each of the items listed in Table 2. However, it is the written feedback in the questionnaires that is more revealing. When asked what they thought were the best aspects of the course, a number of themes emerged. These themes have been organised and discussed in the context of the EEF and the relevant stages.

Stage 2: Ethical sensitivity

The issue of whether ethics should be taught and whether it helps to identify ethical issues in practice is one that appears to be acknowledged and well received by the students in this study. Studies have shown that accounting professionals have more confidence in the ability of educators to conduct research that will aid in a technical manner, than in providing moral and ethical guidance to solve real-world problems (Carver and King, 1986). While CPAs indicated that instruction in ethical concepts is important and should be embodied in the accounting curriculum, they were uncertain about the ability of educators to provide instruction and guidance on ethical issues and concepts (Ward et al., 1993). These findings suggest that practitioners have little confidence that ethics education will be effective in achieving its objectives. This view stems in part from courses in ethics that are overly theoretical and lack relevance to the discipline of accounting. In these circumstances, students will fail to grasp the linkage between the philosophical view of ethics and the practical situations. However the comments listed below from students who are future professional accountants appear to
counter the perceptions of their practising counterparts. They appeared to be impressed by the relevance and usefulness of the subject matter to the workplace, giving ethics education equal weighting with the traditional technical-focused courses in accounting. A carefully planned and applied ethics course, as is arguably the case here, can be perceived by students to be as beneficial as any other course dedicated to accounting, as evidenced by the following student comments:

- *This course uses a lot of real life case studies to demonstrate the theory taught, which helps put in into perspective.*

- *This course is generally applicable to real-life situations, not just confined to accounting studies. It is also a very interesting course and the lecturer tries to incorporate a lot of real-life cases or situations that are relevant to this course, by showing us websites that could be helpful in our learning process.*

- *Link the theory into practical. Good examples of issues regarding to the corporate world.*

- *It was real life examples, eg. Enron, Arthur Andersen, HIH, etc. Rather than doing just theory, the lecturers are able to use real life examples. It makes you think that you will actually be able to use what you learn in the work force.*

*Stage 3: Ethical judgement*

One problem in teaching ethics is the inability or reluctance of students to deal with the ambiguity that is inherent in ethical issues. The process of ethical decision-making is not simply a choice between dichotomous alternatives, but a choice from a number of alternatives, each representing mixed benefits and harms that may have personal and
organizational implications with an uncertain probability of occurrence (Hosmer, 1988). The inability to provide satisfactory moral conclusions may confuse students because questions of morality become unanswerable, thus promoting a cynical attitude about ethics. The students in this sample were not provided with suggested answers. They were expected to develop their own answers from their prescribed reading and classroom discussion. However, the ambiguity inherent in ethical decision-making probably added to the students’ confusion. Evidence of this type of confusion is seen here with students stating:

- Confusing because some topics can be argued both ways and no right answer.
- Please provide the answer for the tutorial so that we know exactly what is expected from us to write on the exam paper
- It will be good if this course can provide the answer to the tutorial questions.

While ethical analysis may not give a single right or just answer to an ethical dilemma, it does lead to some answers that can be clearly seen to be more right, or more just.

Stage 4 Ethical behaviour

Teaching students to think about ethical problems will not guarantee that accompanying changes in behaviour will result when students enter the workforce (Trevino, 1986). Ethical behaviour reflects both individual and situational influences, and ethical awareness may not be the most important factor in teaching accounting students ethical behaviour. One might argue that if ethics education does not result in ethical behaviour, then it has been
unsuccessful. Whether ethics education should simply identify moral principles and standards, rather than alter behaviour, is a vexed question. The authors acknowledge that professional accountants are induced to act ethically through two aspects of their socialisation, the education process and the influence of work experience, with role models who show what it means to be ethical. Students learn principles of good conduct in their education and then receive advice and observe how significant others behave in the workplace. A discussion on the socialisation of accounting professionals in the workplace is outside the scope of this paper; however the following comments by students on workplace issues indicate that ethics education is not only relevant to their chosen career but also provides a useful tool for dealing with issues in practice. The comments below centre on problem resolution, suggesting that students have been successful at attaining the objectives at stages three and four of the EEF, which include ethical decision-making and behaviour.

- *This course is teaching us how to overcome ethical problems at the workplace. I found it to be the best aspect, as it will be my guideline and prepare me for the possible ethical issues in the future.*

- *Interesting to see what possible ethical issues I might come across in my career and the decision paths that can be taken.*

- *This course requires a lot of thinking other than applying theories that we have learned. Besides they are related to our working life in future; it is therefore interesting to learn about the possible ethical issues and prepare us for the challenge.*
General comments

When students were asked to identify aspects of the course that are in most need of improvement, the comments typically relate to student workloads and issues that ease their burdens rather than enhance their learning. For example, students requested a fuller set of tutorial solutions and more exam hints to help achieve a passing grade.

- *The early lecture. Too early for full time students.*
- *More exam hints.*
- *Must provide more exam tips.*

Overall, the students found that ethics education is an enjoyable experience that enhanced their learning outcomes.

- *It is easy to understand and not very technical terms are involved or used. It is something (the course) that is familiar to most people. The lecturers are very helpful and patient in explaining queries.*
- *I’ve enjoyed ethics. The material is interesting and easy to understand. The lecturers have both made me more interested in ethics.*

In Conclusion

Bok (1988) claims that one of the difficulties of business educators teaching ethics is the necessity to be learned in moral philosophy or a related field. Business educators would typically have to learn for themselves the discipline of moral philosophy. Such preparation can often be inadequate, causing instruction to be theoretical or superficial. Owens (1983) argues that a lack of training would cause teachers to avoid ethics in their
courses, or deal with the topic only superficially. Hosmer (1988) similarly suggests that business teachers may be uncomfortable in discussing ethical issues in the classroom. In these circumstances, educators are likely to concentrate on other aspects of the course material that they feel more comfortable teaching (Sims and Sims, 1991). These limitations can easily be overcome with training and a degree of confidence created by a well-developed set of teaching materials. The Toolkit is one concrete step in this direction.

There is much in the ethics literature on the pros and cons of ethics education for accounting and business students, and whether in fact students benefit from ethics interventions. Nevertheless, in the final analysis, as the student feedback shown above clearly indicates, the students themselves highly valued the ethical issues course they undertook. In fact, they appear to value the ethics course more highly than all other compulsory courses in the degree, as evidenced in the teaching scores and feedback comments.

The effectiveness of the Toolkit may be limited by its one-size-fits-all design and approach to curriculum development, which may not be fitting for all cultures and degree programs. Teaching ethics in different jurisdictions, or alternatively, teaching ethics to a single group of multicultural students, should acknowledge that cultural factors play a part in the way the students perceive and deal with ethical problems. Furthermore, the types of ethical issues that are prominent at any particular point in time may also vary across different regions. The extent to which differences exist is likely to
impede the effectiveness of the Toolkit. In these cases, educators are encouraged to use the Toolkit as a base and adapt their approach to suit their environment.

The authors of this paper strongly encourage other accounting academics to join them and the other academics around the world who have established ethics courses for their accounting students. Colleagues are encouraged to take a leadership role in addressing a real challenge in accounting education and introduce ethics courses into their programs, as their part in restoring the credibility of the accounting profession and helping ensure that ethical failures in the profession become a thing of the past. The Toolkit, developed from years of experience in teaching ethics courses to students well before the implosion of Arthur Andersen and collapse of Enron, WorldCom and Parmalat, provides a ready made resource for educators elsewhere to develop and present ethics courses for their accounting students. And ethics is fun to teach!
Reference List


<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Sensitivity</th>
<th>Judgement</th>
<th>Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.0 Introduction</td>
<td>1.1.1 Defining ethics</td>
<td>1.1.2 Foundations of ethics</td>
<td>1.1.3 Defining professional ethics</td>
</tr>
<tr>
<td>1.1.4 What is a profession?</td>
<td>1.1.5 Stakeholders and elements of influences upon the accountant</td>
<td>1.1.6 The Ethics Framework for accountants</td>
<td>1. Ethics can be defined in a normative manner. “Ethics is about what ought to be the behaviour of an individual.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Ethics is concerned with what is right and wrong. Morality in simple terms is about what is good (right) and bad (wrong), as accepted by society or a culture. Ethics and morality are used interchangeably in many contexts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Ethics is also regarded as ‘knowing what is right and wrong’. At this level, such knowledge is to be learned.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• At a higher or more complex level, ethics is about choices. It is a concept that signifies how we act in order to make the ‘right’ choice, and produce ‘good’ behaviour.</td>
</tr>
<tr>
<td>Stage</td>
<td>Objective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics knowledge</td>
<td>Develop ethical intelligence by attaining the necessary knowledge in ethical concepts and theories relating to the accountant’s work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical sensitivity</td>
<td>Sensitise learners to ethical issues and risks in the relevant functional disciplines of accounting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical judgement</td>
<td>To integrate knowledge of ethics with sensitivity in order to develop the competence in ethical judgement and decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical behaviour</td>
<td>To understand organisational and situational contexts and to sharpen one’s ethical competence in translating knowledge and sensitivity into behaviour</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2 Course experience survey results

<table>
<thead>
<tr>
<th>Questions</th>
<th>Ethics course</th>
<th>Ethics course</th>
<th>All School Courses</th>
<th>All School Courses</th>
<th>t-stat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std Dev</td>
<td>Mean</td>
<td>Std Dev</td>
<td></td>
</tr>
<tr>
<td>1. The learning objectives in this course are clear to me.</td>
<td>4.1</td>
<td>0.812</td>
<td>3.5</td>
<td>0.989</td>
<td>5.79**</td>
</tr>
<tr>
<td>2. I am learning what I expected to in this course.</td>
<td>4.1</td>
<td>0.744</td>
<td>3.5</td>
<td>0.950</td>
<td>5.87**</td>
</tr>
<tr>
<td>3. This course is well organized</td>
<td>4.2</td>
<td>0.702</td>
<td>3.5</td>
<td>0.983</td>
<td>6.39**</td>
</tr>
<tr>
<td>4. The teaching staff are extremely good at explaining things</td>
<td>4.2</td>
<td>0.724</td>
<td>3.4</td>
<td>1.036</td>
<td>7.88**</td>
</tr>
<tr>
<td>5. The teaching staff normally give me helpful feedback on how I am going</td>
<td>3.6</td>
<td>0.959</td>
<td>3.1</td>
<td>1.029</td>
<td>8.72**</td>
</tr>
<tr>
<td>6. This course contributes to my confidence in tackling unfamiliar</td>
<td>3.8</td>
<td>0.797</td>
<td>3.1</td>
<td>0.967</td>
<td>4.15**</td>
</tr>
<tr>
<td>problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Assessment tasks in this course require me to demonstrate what I am</td>
<td>4.1</td>
<td>0.768</td>
<td>3.6</td>
<td>0.963</td>
<td>6.97**</td>
</tr>
<tr>
<td>learning.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. The amount of work required in this course is about right.</td>
<td>4.0</td>
<td>0.770</td>
<td>3.4</td>
<td>1.002</td>
<td>5.16**</td>
</tr>
<tr>
<td>9. The teaching staff in this course motivate me to do my best work</td>
<td>3.9</td>
<td>0.846</td>
<td>3.2</td>
<td>1.015</td>
<td>6.17**</td>
</tr>
<tr>
<td>10. I enjoy doing the work for this course.</td>
<td>3.7</td>
<td>0.947</td>
<td>3.1</td>
<td>1.082</td>
<td>6.57**</td>
</tr>
<tr>
<td>11. I find the learning resources for this course useful</td>
<td>4.1</td>
<td>0.808</td>
<td>3.6</td>
<td>1.005</td>
<td>5.04**</td>
</tr>
<tr>
<td>12. The web-based (online) materials in this course are unfamiliar</td>
<td>4.0</td>
<td>0.960</td>
<td>3.5</td>
<td>1.131</td>
<td>4.91**</td>
</tr>
<tr>
<td>problems effective in assisting my learning.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. There is effective use of other computer-based teaching materials in</td>
<td>4.1</td>
<td>1.364</td>
<td>3.2</td>
<td>1.385</td>
<td>4.14**</td>
</tr>
<tr>
<td>this course.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. The facilities (such as classrooms, lecture theatres, studios,) are</td>
<td>4.0</td>
<td>0.749</td>
<td>3.5</td>
<td>1.036</td>
<td>5.26**</td>
</tr>
<tr>
<td>adequate for this course.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. I feel I can actively participate in my classes.</td>
<td>4.0</td>
<td>0.837</td>
<td>3.4</td>
<td>1.007</td>
<td>5.28**</td>
</tr>
<tr>
<td>16. There is a good balance between theory and practice.</td>
<td>3.6</td>
<td>0.917</td>
<td>3.2</td>
<td>0.994</td>
<td>5.69**</td>
</tr>
<tr>
<td>17. The teaching staff work hard to make this course interesting.</td>
<td>4.1</td>
<td>0.797</td>
<td>3.4</td>
<td>1.064</td>
<td>3.47**</td>
</tr>
<tr>
<td>18. I can see how I'll be able to use what I am learning in this course in</td>
<td>4.0</td>
<td>0.968</td>
<td>3.5</td>
<td>1.052</td>
<td>6.95**</td>
</tr>
<tr>
<td>my career.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. The staff make a real effort to understand difficulties I might have</td>
<td>3.7</td>
<td>0.900</td>
<td>3.2</td>
<td>1.012</td>
<td>4.11**</td>
</tr>
<tr>
<td>ing with my work.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. The staff put a lot of time into commenting on my work.</td>
<td>3.4</td>
<td>0.995</td>
<td>2.9</td>
<td>1.014</td>
<td>4.42**</td>
</tr>
<tr>
<td>21. Overall, I am satisfied with the quality of this course.</td>
<td>4.0</td>
<td>0.729</td>
<td>3.4</td>
<td>0.960</td>
<td>4.01**</td>
</tr>
</tbody>
</table>

Notes:
1. ** p<0.001
2. The Good Teaching Scale (GTS) is the total percentage who agree or strongly agree with the questions on a 5 point likert scale of 1 to 5 from strongly disagree (1) to strongly agree (5).
3. For the ethics course the good teaching scale was 63.1 and the average for all courses in the School it was 38.8
Appendix 1

Details of Topics in the IFAC Ethics Education Toolkit

Topic 1: An ethics framework for accounting

This topic provides an understanding of the relationships and interests of different stakeholders which have an impact on the work of the accountant. The ethics framework shows the overall relationship between individual ethics, workplace ethics and the influences of other internal and external factors on the professional values, ethics and attitudes of accountants. Accountants and accounting students are provided with a structure upon which the ethics knowledge, ethical sensitivity, judgement and behaviour are based. This topic is applicable at all stages as a foundation.

Ethics is defined within the ethics framework. At Stage 1 for example, ethics can be defined simply as what ought to be the behaviour of accountants. At higher stages, ethics is learned with an understanding of its relationship with others, society and the profession. Ultimately, ethics should be appreciated as the evaluation and application of a process of reasoning with a consideration of all relevant factors and principles, and a commitment to a choice of action which is morally sound, and which demonstrates professionalism and integrity.

This topic should be included as part of all stages. Each of these stages may include the following:

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Nature of ethics</td>
<td>• Ethics and the profession for accountants</td>
<td>• Interests of stakeholders and conflicts</td>
<td>• Behaviour and influence of stakeholders</td>
</tr>
<tr>
<td>• The ethics framework for accountants</td>
<td>• Accountants and the stakeholders</td>
<td>• Professional conduct and the public interest</td>
<td></td>
</tr>
<tr>
<td>• Rules-based and principles-based approaches</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The foundations of a profession</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Topic 2: Concepts, theories, principles and values

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

One limitation of ethics education is that students learn the language of ethics and can morally defend proposed actions but education falls short of developing virtuous people. Virtue ethics and value-based education focuses upon growth of a moral personality and emphasis is placed on character development and the belief that appropriate moral actions will follow from deeply held practices and values. In value-based education, societal values are derived from current law and doctrines espoused by religion, social justice and human rights. Professional values can be identified from accounting and auditing standards, and the code of professional conduct.
<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Commonly used theories and principles (e.g., Utilitarianism and Deontology)</td>
<td>• Ethics and culture</td>
<td>• Professional values, ethics and attitudes and the code of conduct for accountants.</td>
<td></td>
</tr>
<tr>
<td>• Theories of moral development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Virtue ethics theory and values-based education</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Topic 3: Corporate, professional and regulatory environment**

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

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The corporation and its interests</td>
<td>• The accounting profession and public expectations</td>
<td>• Investigative reports and professionalism</td>
<td>• Learning with and managing professional responsibilities through case studies.</td>
</tr>
<tr>
<td>• The accountant and the stakeholders</td>
<td>• Professional and legal requirements in financial reporting and auditing</td>
<td>• Developments in the profession to enhance professional values, ethics, and attitudes, including codifications and education initiatives</td>
<td></td>
</tr>
<tr>
<td>• Professional responsibilities</td>
<td>• The concept of accountability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The regulatory environment should be introduced at **Stage 2** and elaborated at higher levels. Depending on the legal and regulatory regimes of each country, this topic should include:

• The legal framework for businesses and accountants
• The role of accountants in the globalisation context
• The impact of legal and other reforms such as the Sarbanes-Oxley Act 2002.

The regulatory environment should be learned based on each country’s legal and financial regimes. Moreover, as accounting is becoming increasingly globalised, the impact of International Financial Reporting Standards and legal reforms such as the Sarbanes-Oxley Act in the US, are fundamental in the understanding of the influences that are faced by accountants globally. This topic should be an ongoing topic for continuing education (professional development), i.e., **Stage 4**, as well.

**Topic 4: Professional ethics, guidance and self-regulation**

This topic provides a detailed discussion of the professional standards and expectations of accountants beginning at **Stage 2**.
Professional ethics guidelines must be fully discussed and not just read. The importance of the code, the underlying assumptions of the code and the ability of being able to choose different principles in the code, should be practised. Hence this topic provides the basis for professional attitudes to develop. Professional accountants should also be aware of the differences of professional pronouncements in different countries.

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

**Topic 5: Tools for ethical decision-making**

This topic covers a systematic approach to analyse and manage ethical issues or threats. Models of ethical decision-making are introduced. The models should be learned after an appreciation of different factors which may influence an accountant’s role, including the corporate and professional environment, regulatory frameworks and professional ethical standards. Accounting students and accountants should appreciate that ethical decision-making models are tools only. They are designed to provide examples of a systematic process where individuals evaluate an ethical situation or risk in a manner to enable all relevant factors and principles to be taken into consideration. The models can be adapted so that individuals apply professional standards in assessing situations. This topic can be introduced towards the end of Stage 2.

The level of ethical awareness and development may determine how an individual thinks about ethical dilemmas, but this alone is not enough to explain or predict ethical behaviour. Additional individual (e.g., ego strength, field independence and locus of control) and situational variables (e.g., job context and organisational culture and characteristics of the work) interact with the cognitive processes to determine how an individual is likely to behave in response to an ethical dilemma. If ethical behaviour reflects both individual and situational influences, then the subject of ethics education in post-qualifying programs should centre on situational ethics. This topic is broadly focused on ethical decision making and behaviour.
Topic 6: Ethical threats and safeguards

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

The IFAC Code of Ethics for Professional Accountants offers a framework of threats and safeguards. In ethics education, accountants and trainees must be sensitised so that they are able to identify such ethical threats and appreciate the importance of establishing safeguards, either within their reporting systems or as a part of the professional body’s support. The topic should be learned at all stages.

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Definition and scope of ethics threats and issues in accounting and related areas</td>
<td>• Conflict of interests in corporate and professional environments</td>
<td>• Specific ethics threats and safeguards in accounting e.g., earnings management situations</td>
<td>• A discussion of current controversial ethical issues relative to the profession.</td>
</tr>
<tr>
<td>• Introduction of safeguards at professional and firm levels</td>
<td>• Different types of ethics threats and ethical issues</td>
<td>• Ethics threats in auditing and assurance services e.g. threats and safeguards to independence and integrity</td>
<td>• Analyses of threats and safeguards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ethics threats in other financial services and safeguards</td>
<td>Learners and students must learn and gain practise in identifying the ethical content of everyday business situations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Whistleblowing cases solutions</td>
<td></td>
</tr>
</tbody>
</table>

Topic 7: Enterprise governance

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

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The nature, significance and scope of enterprise governance and threats to effective governance</td>
<td>• Corporate and other social responsibilities</td>
<td>• Governance good practice and issues</td>
<td>• Benchmarking governance cases in practice</td>
</tr>
<tr>
<td>• Theoretical framework including agency problems</td>
<td>• Stakeholder relationships</td>
<td>• Analyses of cases of failures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Regulatory framework for corporate and enterprise governance</td>
<td>• Global developments in enterprise and corporate governance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The role of accountants and</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Topic 8: Social and environmental issues

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

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The scope, background and concept of Corporate Social Responsibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The accountant and the society including agency problems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Minimising the threats of social costs and liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Development in social and environmental frameworks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Measurement and accountabilities in social and environmental reporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Issues in social responsibilities and accountabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Regulatory framework</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The role of accountants and auditors in society and businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Analyses of cases of social and environmental failures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Social and environmental accounting and issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Benchmarking cases in practice</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other topics

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

Examples of these topics are:
• Ethics within small and medium size enterprises (SMEs)
• International business practice, culture and ethics

Where accountants operate in international businesses, a tolerance of different business practices may invoke ethical threats. For example, where commissions are commonplace in business practice, accountants must be able to possess a clear understanding of professional responsibilities and liability threats.

Multinational firms are uniquely at risk from variations in ethical perceptions across nations. They are dependent on the judgment, norms and standards of their staff in each country. It is not unreasonable to expect that cultural factors may influence ethical beliefs and attitudes. Therefore, individuals from different cultures have distinct conceptions of what are ethical and unethical behaviours, and in turn, influence ethical decision-making. Professional accountants may not be fully sensitised to international and cultural differences, and thus they need to understand the trends of globalisation and cultural diversity in order to cope effectively with the pressures of the global
market. Accountants must be conscious of the practices of other cultures and to instil a greater understanding and sensitivity to the cultural factors underlying differences.
Appendix 2

There are five case studies supported by videos as follows:

1. What a Plan

Dollar Planning has been operating for 10 years in the financial advising industry. Dollar Planning holds a Dealer's Licence and operates through a network of 100 Authorised Representatives. Martin Top and Sally Wise are two of these representatives. Martin Top is a good marketer and salesman, whereas Sally Wise, not being as outgoing as Martin, mainly concentrates on preparing financial plans for a number of the other Authorised Representatives, including Martin, for presentation by them to their clients. Martin's income is derived solely from commissions and brokerage, while Sally is a salaried employee.

2. What a Waste

Clean Up Pty Limited has been operating successfully for ten years. During that time it has seen turnover grow to $50 million per annum. After tax profits for the last financial year were $4 million. Its business is waste disposal and environmental control. In order to sustain the growth of Clean Up and broaden its funding base, it has been decided that the company should go public and seek to raise $10 million. The prospectus is due to be issued in two days’ time with applications closing one month from date of issue.

3. Country Practice

Stephanie Small works in a country accounting practice specialising in tax and general accounting advice. The practice has a broad range of clients developed over many years by Frank Munson. Frank has a high profile in the town and is proud of his reputation. Stephanie has recently qualified as a Chartered Accountant after completing her pre-qualifying program and working for an accounting practice in a large country town. Stephanie has returned to work in her home town, together with her husband.

4. No Control

John, a young chartered accountant and one of a number of internal auditors working for a large organisation, has been assigned a range of specific projects in the last 12 months. John's role in these projects has been to complete a specific work program and draft a report for review by Adam Smith.

5. A New Job

Mary and Joe's marriage has broken up. Their financial affairs are intertwined because they jointly own and operate a chain of clothing shops in small country towns. The shop businesses are owned via a family company, Browns Stores Ltd. The accountant for the
company is Smith Partners. Mary and Joe have agreed that Joe will take over the ownership and operation of part of the business and Mary will take over the remainder. Mary has approached Sam Smart, another accountant in the town, and asked him to value the respective businesses.

Below for illustrative purposes is a full description of the first case study *What a Plan*, together with a suggested solution. Full details of the other cases are available in the Toolkit.

**SCENARIO ONE: WHAT A PLAN**

**Participants**

Dollar Planning Pty Limited Financial Advisers  
Martin Top Authorised Representative  
Sally Wise Authorised Representative and trainee planner  
Mary Cappella Client

**Setting the Scene**

(This paragraph can be used as an introduction before the video is shown)

Dollar Planning has been operating for 10 years in the financial advising industry. Dollar Planning holds a Dealer's Licence and operates through a network of 100 Authorised Representatives. Martin Top and Sally Wise are two of these representatives. Martin Top is a good marketer and salesman, whereas Sally Wise, not being as outgoing as Martin, mainly concentrates on preparing financial plans for a number of the other Authorised Representatives, including Martin, for presentation by them to their clients. Martin's income is derived solely from commissions and brokerage, while Sally is a salaried employee.

**Facts of the Case**

Martin has asked Sally to prepare a financial report for Mary Cappella, a retired librarian, and one of Martin's clients. The information which Sally has received about Miss Cappella tells her that her assets include a $200,000 Insurance Bond purchased the previous year. Martin has told Sally that Miss Cappella needs income and wishes to withdraw from the Insurance Bond to invest instead in an Immediate Annuity. Martin's briefing sets out a plausible reasoning for this strategy.

Sally does not believe that the Insurance Bond was an appropriate investment for someone like Miss Cappella due to her age and small income. She suspects that Martin is giving inappropriate investment advice and is recommending clients restructure their portfolios unnecessarily. Sally knows of at least six other cases where similar recommendations were made.

Sally takes her suspicions to the General Manager Operations and is told "Martin was our biggest writer of business last year. He generated brokerage and fees of over $500,000. We want to encourage him". He says he is happy to transfer Sally if she doesn't like working with Martin. Sally Wise is concerned that her suspicions are correct and that she may be regarded as a party to...
Martin's actions. Furthermore, should these practices be encouraged by Dollar Planning, Sally is worried that Dollar Planning could lose its Dealer's Licence.

Suggested discussion Points

1. What are the relevant facts?
2. What are the ethical issues?
3. Who are the primary stakeholders?
4. What are the possible alternatives?
5. What ethical issues arise from these alternatives?
6. What are the practical constraints?
7. What actions could be taken?
8. Could the situation have been approached differently? If so, how?

Discussion

This scenario is designed to generate discussion of the following points:
• The issue of the client's interest vs brokerage fees;
• The issue of suspicion vs hard facts; and
• Dealing with ethical issues outside the framework of a code of ethics, or other established company procedures.

SOLUTION

APPLICATION OF AMERICAN ACCOUNTING ASSOCIATION 7 STEP MODEL

1. Determine the facts
What do we know or need to know, if possible, that will help define the problem?)

• Martin Top and Sally Wise are Authorised Representatives of Dollar Planning, a financial planning business holding a Dealer's Licence.
• Sally is a salaried employee who prepares financial plans for Authorised Representatives, including Martin.
• Martin, one of the biggest writers of business of Dollar Planning, earns his income purely on a commission basis.
• Martin asks Sally to prepare a financial report for Mary Cappella.
• Sally is concerned that Martin has given inappropriate advice to Mary in the past, and possibly other clients.
• Sally raises the issue with Martin who says he knows best.
• Sally decides to raise the issue with the General Manager Operations. He stresses the financial contribution that Martin makes to Dollar Planning. He suggests that Sally drop the issue, or consider an internal transfer.

2. Define the ethical issues
(List the significant stakeholders)

Define the ethical issues
Make sure what precisely the ethical issue is, for example, conflict involving rights,
self interest, questions over limits of an obligation, etc).

a) List all stakeholders
• Sally Wise
• Martin Top
• Mary Cappella
• General Manager Operations
• Dollar Planning Pty Limited
• Other clients of Dollar Planning
• Regulators

b) Identify the ethical issues
• Sally's responsibility to Mary and other clients versus Loyalty to Martin and Dollar Planning
• Sally’s personal integrity versus Personal career interests
• Martin and Dollar Planning's short term performance versus the company's long term integrity and competence
• The General Manager’s integrity versus the company’s reputation, responsibility to stakeholders and regulators.

c) Discuss the ethical threats
• Sally is faced with a self-interest threat that her career opportunity is being threatened;
• Martin also has a self-interest threat which led to the compromise of objectivity in giving his advice in order to maintain his commission;
• The General Manager is also faced with the self-interest threats that may put the company’s profits at risk and thus his own performance.

3. Identify the major principles, rules, values
(For example, integrity, quality, respect for persons, profit).

• Integrity (Sally, Martin, General Manager)
• Objectivity (Martin's remuneration is commission based)
• Competence (Martin's changing of investment strategies)
• Self interest (Sally - career, Martin - remuneration, General Manager - Dollar Planning profit)

4. Specify the alternatives
(List the major alternative courses of action, including those that represent some form of compromise or point between simply doing or not doing something).

• Sally can prepare a financial plan for Mary on the basis of Martin's revised strategy.
• Sally can refuse to do the plan for Martin.
• Sally could discuss Mary's situation and that of other clients with company management, other than the General Manager.
• Sally can report her concerns to the regulators, or her professional body.
• Sally can resign.

5. Compare values and alternatives – See if clear decision
(Determine if there is one principle or value, or combination, which is so compelling that the proper alternative is clear. (For example, correcting a defect that is almost certain to
cause loss of life).

See how many of the group will move to a decision at this point based on the force or strength of a norm or principle. Regardless of whether a decision is reached, work through steps 6 and 7.

6. Assess the consequences
(Identify the short and long run, positive and negative consequences for the major alternatives. The common short run focus on gain or loss needs to be measured against the long run considerations. This step will often reveal an unanticipated result of major importance).

- Sally prepares the plan
  - maintains loyalty to Martin and Dollar Planning
  - ensures future career aspirations
  - financial reward to Martin and Dollar Planning
  - depending on revised plan can be positive/detrimental to Mary's financial future
  - if detrimental, may lead to litigation or loss of the Dealer's Licence for Dollar Planning

- Sally refuses to do plan
  - may be prepared by another Planner
  - Sally may be transferred within the company, effectively receiving a demotion
  - may highlight a problem within the organization and draw attention to Martin’s other client cases

- Discuss matter with other management
  - cause problems for the General Manager
  - likely to have an impact on Sally’s career
  - could cause unjustified problems for Martin
  - could highlight a problem that exists for Dollar Planning and result in changes that protect clients and the company’s future

- Report concerns to the regulators
  - cause problems for General Manager
  - likely to have an impact on Sally’s career
  - could result in loss of Dealer’s Licence for Dollar Planning

- Sally can resign
  - may be detrimental to client's and Dollar Planning's future in the longer term
  - preserves her professional integrity

7. Make your decision
(Balance the consequences against your primary principles or values and select the alternative that best fits).

Participants should refer to the IFAC Code of Ethics for Professional Accountants in respect of the ethical threats for self-interest. Identify the safeguards which exist in the procedures of the accounting body you belong to, or within the firm’s procedures, which assist individuals like Sally so that her professional values are maintained.