

September 1999

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### Recommended Citation

Ziegenfuss, Douglas E, (1999) "Differences in Personal Ethical Philosophy Among Accounting Students and Between Accounting Students and Practitioners," *Southern Business Review*. Vol. 25 : Iss. 1 , Article 3. Available at: <https://digitalcommons.georgiasouthern.edu/sbr/vol25/iss1/3>

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# Differences in Personal Ethical Philosophy Among Accounting Students and Between Accounting Students and Practitioners

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Douglas E. Ziegenfuss

**T**he purpose of this study is to determine the relationship of education and occupational status on the personal ethical philosophies of accounting majors and practitioners. The study does this by first comparing the personal ethical philosophies of accounting students at various points in their college education and then comparing the personal ethical philosophies of accounting students to those of practitioners.

This study is important because previous studies (Ferrell & Gresham, 1985; Hunt & Vitell, 1986) indicate an individual's personal ethical philosophy to be the greatest determinant of personal actions and may be determined before college and professional experience. If this is the case, then much of the time and effort spent in class exposing college students to ethics may be wasted. Likewise, if an

individual's personal ethical philosophy can be changed by professional experience, then that may be the time to expose individuals to ethical issues.

## Background

Many accounting programs began emphasizing ethics in their curricula in the 1990s. Most accounting departments integrated ethics into nearly every course rather than developing separate courses devoted entirely to ethics. Integrating ethics throughout the curriculum allows ethics to be stressed and highlighted continually. On the other hand, accounting students may tire of the exposure and take ethics for granted. Having a separate course in ethics would totally immerse students in ethics for a short period of time, but students may not think of such issues until they take the ethics course. The exposure given by the single course may not be strong enough to influence ethical decision making.

The accounting program included in the study does not have a course exclusively devoted to ethics. Rather, ethics is

integrated into nearly every accounting course. The amount of time devoted to ethics varies from course to course. For instance, coverage is heaviest in the auditing course and lightest in accounting systems and principles of accounting courses.

Personal observations of the author indicate that students undergo a great transformation during their initial years of professional experience. The same students who seem to have a problem with clothing, hygiene, promptness, and other work habits expected of professionals seem to magically attain these habits after a short period of time in the workplace. An important question is whether professional experience also changes the students' personal ethical philosophies.

## Previous Studies

Louwers, Ponemon, and Radtke (1997) categorize previous ethical studies involving accountants as either models of ethical decision making or studies of accountants' ethical behavior. The models of ethical decision making developed to date borrow heavily from other

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disciplines. For instance, Kohlberg (1969), Fishbein and Ajzen (1975), and Rest (1986) borrow from social psychology; Noreen (1988) from economics; and Macintosh (1995) from social philosophy. On the other hand, Finn and Lampe (1992) and Lampe and Finn (1992) develop a model within the accounting paradigm.

At least two reliable psychometric instruments have been developed to measure an individual's level of moral reasoning. Kohlberg (Colby & Kohlberg, 1987) developed the Moral Judgment Interview (MJII), and Rest (1979) created the Defining Issues Test (DIT). Both have been used in numerous studies, and each has its strengths and weaknesses as well as advocates and critics. Neither was selected for this study because the author wished to use a different instrument for comparison purposes.

Studies of accountants' ethical behavior have centered on ethics education, ethical development, and other issues of ethical judgment. Louwers, Ponemon, and Radtke (1997, p. 195) indicate that the ethical development studies, "attempt to determine the effect of education on the moral reasoning skills of accounting students and practitioners." For example, Thoma (1986) and McNeel (1994) show that a college education positively influences an individual's level of moral reasoning. However, Armstrong (1984; 1987), Ponemon and Glazer (1990), Shaub (1989), and Tull (1982) found that accountants in general have not progressed to the same level of moral development as other college graduates.

A more recent study by Giacomino and Akers (1998) examined differences in values

and value types between accounting and nonaccounting students and between male and female students. They found significant differences between accounting and nonaccounting majors. More differences between female and male students existed than among students from similar majors, and female accounting majors differed more from male accounting majors than did female nonaccounting majors from male nonaccounting majors.

Ethical development studies concentrate on the development of moral reasoning within the accounting profession. Ponemon (1990) and Shaub (1994) found that the position level of auditors with the firm and their moral reasoning level are inversely related. Ponemon also found that individuals who were promoted had ethical reasoning levels similar to management, supporting the contention that an individual's promotability may be constrained by the ethical culture of the accounting firm. Additional studies dealt with the impact of occupational status on a subject's ethical behavior. For instance, Pearson (1987) queried certified public accountants (CPAs) regarding independence impairment in their profession. Schlachter (1986) developed a framework for studying the effect of occupational status on an individual CPA's ethical behavior.

Ethical judgment studies address the relationship between various ethical measures and accountants' behavior involving the following areas: independence issues (Ponemon & Gabhart, 1990); other violations of the AICPA Code of Professional Conduct (Lampe & Finn, 1992); detection of fraudulent financial reporting and subsequent communication (Arnold & Ponemon, 1991); taxpayer

noncompliance (Ghosh & Crain, 1996); and other dysfunctional behavior (Ponemon, 1992).

## Propositions to Be Tested

This study seeks to answer these questions:

1. Do the personal ethical philosophies of accounting students vary according to educational level?
2. Do the personal ethical philosophies of accounting students vary significantly from those of practitioners?

Both questions can be answered by surveying a sample of accounting students and practitioners and by using statistical analysis to determine the factors to which personal ethical philosophies are statistically related.

Hypotheses can be developed from the previous questions:

- H1: The personal ethical philosophies of accounting students will not be statistically related to the accounting course in which they are enrolled.
- H2: The personal ethical philosophies of accounting students will not vary significantly from those of practitioners.

## Operationalization

The major purpose of this article is to determine if the personal ethical philosophies of accounting students vary according to educational level and occupational status. The operationalization of each is discussed next.

## Personal Ethical Philosophy

For this study, a respondent's ethical philosophy was measured by Forsyth's (1980) two-dimensional (idealism-relativism) Ethics Position Questionnaire (EPQ). The EPQ consists of two scales—ten items to measure idealism and ten items to measure relativism (see Appendix A). The respondents were asked to indicate their extent of agreement or disagreement with each of the 20 items by using a five-point, Likert-type scale. The idealism and relativism scores for each respondent were measured as the sum of scores on the ten items measuring idealism and relativism, respectively.

A high idealism score indicates that the respondent tends to favor "moral absolutes" when

making moral judgments while a high relativism score indicates that the respondent tends to rely less on universal ethical rules when making moral judgments. Following Forsyth's methodology, the respondents were further classified into one of four "Personal Ethical Philosophy" (PEP) categories depending on their relative levels of "idealism" and "relativism" (see Figure 1).

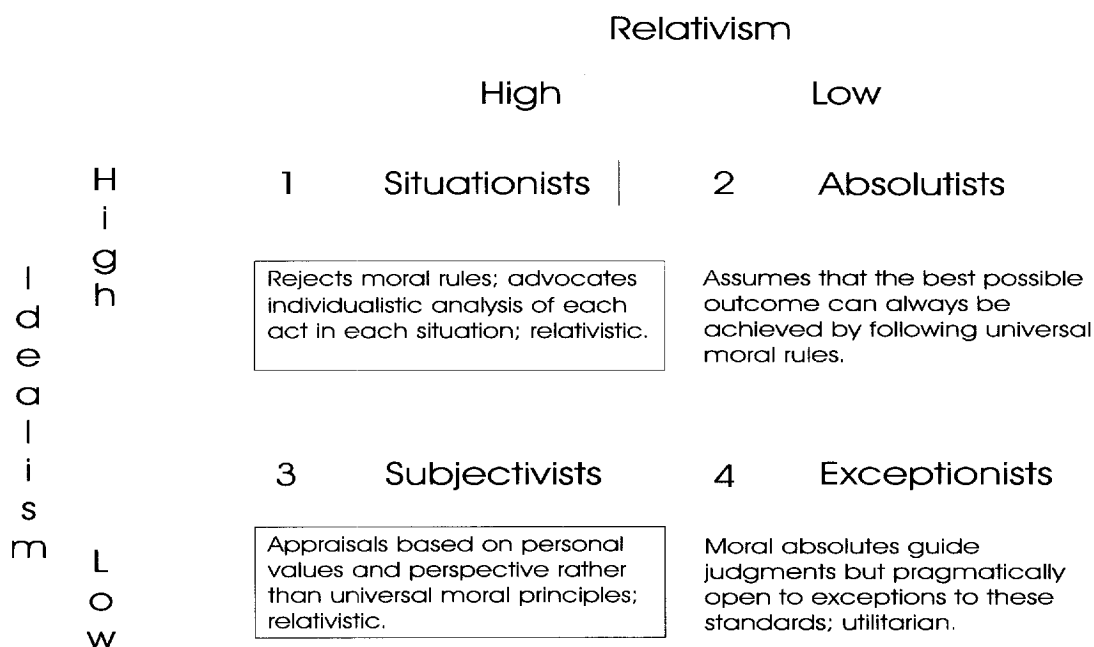
1. "Situationists" - respondents with high idealism and high relativism (assigned a PEP code of one) who reject moral rules and advocate individualistic analysis of each act in each situation;
2. "Absolutists" - respondents with high "idealism" but low "relativism" (assigned a PEP value of two) who assume

that the best possible outcome can always be achieved by following universal moral rules;

3. "Subjectivists" - respondents with low "idealism" but high "relativism" (assigned a PEP value of three) who base appraisals on personal values rather than universal moral principles; and
4. "Exceptionists" - those with low "idealism" and low "relativism" (assigned a PEP value of four) whose moral absolutes guide judgments but who are pragmatically open to exceptions to these standards.

Differences in actual ethical decision making were determined using five ethical scenarios

**FIGURE 1**  
**FORSYTH'S TAXONOMY OF ETHICAL IDEOLOGIES**



Source: Forsyth, 1980, p. 176

developed with assistance from CFE practitioners located in the Hampton Roads, Virginia, metropolitan area (see Appendix B). The respondents were asked whether the scenario involved an ethical situation and, then, whether they agreed with the action taken. The first question measures ethical perception and the second ethical judgment.

### Personal Variables

The variables initially included in the study were educational level, professional status, age, professional certification, industry, and salary. However, all except educational level and professional status were dropped because they were too highly correlated to other independent variables.

Students were classified according to their educational level.

- (1) Sophomores or students in their second year of undergraduate study;
- (2) Juniors or students in their third year of undergraduate study;
- (3) Seniors or students in their last year of undergraduate study; and
- (4) Graduate students.

All respondents were classified as students or practitioners (assigned a value of 1 or 2, respectively).

### The Sample

The questionnaire used in this study was based on one used in previous studies by Ziegenfuss, Singhapakdi, and Martinson (1994) and Ziegenfuss and Singhapakdi (1994) using

internal auditors and management accountants as subjects. The questionnaire was pretested using a small sample of twelve accounting students and then was revised and administered to a sample of students and practitioners. The 84 students included in the sample were enrolled in the following courses:

1. Second semester principles of accounting course (sophomore business majors including accounting and nonaccounting majors),
2. Undergraduate auditing course (junior and senior accounting majors),
3. Graduate seminar in auditing course (graduate accounting students), and
4. Undergraduate and graduate operational auditing course (graduate accounting and nonaccounting majors and undergraduate accounting majors).

The 114 practitioners in the study included participants at the Williamsburg Fraud Conference and those surveyed by mail who were located in Virginia. The overall response rate for the CFEs was approximately 43 percent.

### Results

Table 1 presents respondents' demographic information. The information appears reasonable and in line with previous studies.

The first question raised by this study was whether students' personal ethical philosophies varied by educational level. According to Siegal and Castellan (1988, p. 128)

When at least ordinal measurement has been

achieved for the variables being studied, the *Wilcoxon-Mann-Whitney* test may be used to test whether two independent groups have been drawn from the same population. This is one of the most powerful of the non-parametric tests, and it is a very useful alternative to the parametric *t* test when the researcher wishes to avoid the *t* test's assumptions or when the measurement in the research is weaker than interval scaling.

The *Wilcoxon-Mann-Whitney* rank-sum test was used to determine if the distribution of students' personal ethical philosophy was statistically significant. It was not (probability >  $F = .4228$ ). Logistic regression was also used to test the relationship between educational level (independent variable) and personal ethical philosophy. Tabachnick and Fidell (1996) recommend logistic regression when a researcher wishes to predict group membership when predictors are continuous, discrete, or a combination of the two. Furthermore, according to Tabachnick and Fidell (1996), logistic regression allows the researcher to evaluate the odds of membership in one of the groups based on the combination of values of the predictor variables. The logistic regression calculated in this study found no statistically significant relationship between educational level and personal ethical philosophy.

The second question raised by the study was whether students' personal ethical philosophies differed from those of practitioners. The *Wilcoxon-Mann-Whitney* rank-sum test was used to determine if the distribution of students and

**TABLE 1**  
**DEMOGRAPHIC PROFILE OF SAMPLE**

GENDER			
	MALE	FEMALE	TOTAL
STUDENTS	39%	61%	100%
PRACTITIONERS	67%	33%	100%

AGE			
	19-25	26-35	36+
STUDENTS	68%	24%	8%
PRACTITIONERS	11%	10%	79%

EDUCATIONAL LEVEL			
STUDENTS		PRACTITIONERS	
SOPHOMORE	11%	HIGH SCHOOL	3%
JUNIOR	55%	BACHELOR DEGREE	63%
SENIOR	19%	MASTER DEGREE	30%
GRADUATE	<u>15%</u>	DOCTORATE DEGREE	<u>4%</u>
TOTAL	100%	TOTAL	100%

practitioners by personal ethical philosophy was significant. The result indicated it was (probability > F = .0001). Moreover, as shown in Table 2, students most often were "situationists" (43%) and practitioners "exceptionists" (39%). This difference means that students have lower levels of both "idealism" and "relativism" than do practitioners.

Logistic analysis was then used to test the relationship between professional status (independent

**TABLE 2**  
**PERSONAL ETHICAL PHILOSOPHY DISTRIBUTION**

TYPES OF PEP	STUDENTS	PRACTITIONERS
Situationists	43%	19%
Absolutists	18%	25%
Subjectivists	26%	17%
Exceptionists	13%	39%
TOTAL	100%	100%

**TABLE 3**  
**DESCRIPTIVE STATISTICS OF RESEARCH VARIABLES**

VARIABLE	MEAN STUDENTS	MEAN PRACTITIONERS
Ethical Judgment 1	2.17	2.06
Ethical Perception 1	3.48	<b>3.66</b>
Ethical Judgment 2	3.32	2.81 *
Ethical Perception 2	4.22	<b>4.28</b>
Ethical Judgment 3	3.20	<b>3.41</b>
Ethical Perception 3	<b>3.27</b>	2.37 *
Ethical Judgment 4	<b>3.73</b>	3.17 **
Ethical Perception 4	3.47	<b>3.60 **</b>
Ethical Judgment 5	3.33	<b>3.64</b>
Ethical Perception 5	<b>3.40</b>	3.08 *
IDEALISM	<b>37.06</b>	33.69
RELATIVISM	<b>30.82</b>	24.81

**Bold** = Higher Value of Variable

\* = significant at the .05 level

\*\* = significant at the .01 level.

variable) and personal ethical philosophy (dependent variable). This relationship was statistically significant at the .0001 level.

Students and practitioners also varied considerably in their reactions to the ethical scenarios. Table 3 presents the results of the logistic analyses using student/practitioner as the independent variable and the various scores on the ethical scenarios for ethical perception or ethical judgment as the dependent variable. A number of statistically significant differences were found to corroborate the importance of practical experience on shaping ethical decision making.

### Conclusions and Implications

This study found no statistically significant differences in the personal ethical philosophy of students at varying educational levels. The implication from this finding is that undergraduate and graduate educational experiences that integrate ethics throughout a curriculum have little or no effect on a student's personal ethical philosophy. This lack of effect is discouraging in light of the emphasis placed on ethics in the curricula of most accounting programs. On the other hand, the results of this study appear to corroborate the results of

earlier studies, namely Armstrong (1984, 1987), Ponemon and Glazer (1990), Shaub (1989), and Tull (1982), that found accounting students in general had not progressed to the same level of moral development as other college graduates.

The second major statistically significant finding was that differences in the personal ethical philosophies of students and practitioners existed. This finding implies that work experience influences a student's personal ethical philosophy more than the student's collegiate experience. Those interested in shaping students' personal ethical philosophies and the actions that students take should concentrate on the first years of the professional lives of graduates. This attention seems reasonable in light of the tremendous socialization process that occurs during this period. It is also the time that many, if not most, professionals are studying for professional certifications and a mentoring relationship is established with a seasoned professional.

### Limitations and Extensions

This study represented an exploratory effort to examine differences in personal ethical philosophy among accounting students and between accounting students and practitioners. The first limitation of the study was the small number of students, 84, included in the study from a relatively small number of courses. This limitation could be addressed by including students from additional accounting courses. The second limitation is the one-time application of the survey instrument. Additional testing and/or multiple applications to the same group of students over the course of their

collegiate education would address this problem. Another limitation of the study is the sole use of CFEs as professional respondents. The study should be extended to cover accountants or other professionals from specialties such as computer consultants and tax practitioners.

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#### Appendix A ETHICS POSITION QUESTIONNAIRE

##### IDEALISM ITEMS

1. A person should make certain that his/her actions never intentionally hurt another even to a small degree.
2. Risks to another should never be tolerated, irrespective of how small the risks might be.

3. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.
4. One should never psychologically or physically harm another person.
5. One should not perform an action that might in any way threaten the dignity and welfare of another individual.
6. If an action could harm an innocent other, then it should not be done.
7. Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.
8. The dignity and welfare of people should be the most important concern of any society.
9. It is never necessary to sacrifice the welfare of others.
10. Moral actions are those that closely match ideals of the most "perfect" action.

##### RELATIVISM ITEMS

11. No ethical principles are so important that they should be a part of any code of ethics.
12. What is ethical varies from one situation and society to another.
13. Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.
14. Different types of moralities cannot be compared as to "rightness."
15. Questions of what is ethical for everyone can never be resolved

since what is moral or immoral is up to the individual.

16. Moral standards are simply *personal* rules which indicate how a person should behave and are not to be applied in making judgments of others.
17. Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.
18. Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustments.
19. No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.
20. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

#### Appendix B FRAUD EXAMINER ETHICAL SCENARIOS

##### Scenario One

An organization pays for a fraud examiner to attend a weeklong training course at a resort hotel. The subject being taught is a core competency of the fraud examiner's job.

Action: Instead of attending the conference one afternoon, the fraud examiner plays golf with fellow participants. Among other topics discussed during the golf outing are fraud detection techniques successfully used by the participants.

##### Scenario Two

The son of an organization's CFO was caught embezzling \$100,000 of the organization's funds. The son paid the organization back with interest but did not lose his job and word of the embezzlement was kept secret, even from members of the audit committee of the board of directors. One year after the embezzlement, the son is promoted to the post of regional vice president.

Action: The fraud examiner who investigated the embezzlement and reports to the CEO sends an anonymous note to the chair of the audit committee of the board of directors.

##### Scenario Three

An internal auditor, who is also a CFE, performs a routine internal audit of an organization's purchasing function. The internal auditor fails to find a kickback scheme involving several purchasing agents and a large national supplier. The scheme cost the company \$250,000 and significantly impaired its reputation when the details of the scheme were disclosed.

Action: The internal auditor had performed procedures sufficient for the objectives of a normal internal

audit but not sufficient for the objectives of a fraud examination.

##### Scenario Four

A fraud examiner is investigating several key managers of an organization for selling trade secrets to the organization's competitors. The organization's CEO has put much pressure on the fraud examiner to catch the guilty parties and, as a consequence, the fraud examiner installs phone taps and is able to identify the guilty manager.

Action: Later, realizing that the phone taps are illegal, the fraud examiner destroys them and the tapes he made from them. However, he obtains other legal evidence of the manager's guilt and manages to have the manager fired and prosecuted.

##### Scenario Five

A fraud examiner is hired by the sheriff who runs the local municipal jail to investigate the embezzlement of funds at the jail's canteen. The fraud examiner does a thorough job and identifies all funds embezzled and releases a thorough report to the sheriff. The city council and mayor now want to read the report but the sheriff, who is elected and does not report to the city council or mayor, refuses to release the report.

Action: Based on the sheriff's instructions, the fraud examiner refuses to allow the mayor and city council access to the report on the city jail embezzlement.