



We Don't Have Ethics Here... or Do We?

BY ROBERT L. HURT, CMA, CFM, CFE

A prospective student called a major research university on the West Coast. “Do you have a doctoral program in business ethics?” she asked. The administrative assistant replied, “No, we don’t have ethics here.” Although that student might be hard pressed to find a doctoral program in business ethics, most accounting educators would agree that undergraduate students

need a firm foundation in ethics and ethical decision making as part of their education. The content and form of ethics education in the accounting curriculum came to a head recently with the National Association of State Boards of Accountancy’s (NASBA) proposal regarding the inclusion of two specific ethics courses in the undergraduate curriculum for CPA exam candidates. NASBA has now withdrawn that proposal, so, in this article, I will comment on the input- vs. output-based models of ethics education, the ethics content of accounting programs, and the assessment of ethical decision-making competencies in the curriculum.

Ethics education models

A group of accounting academics

from various levels and sectors of higher education met recently to discuss this important issue. In the one-day session, debate raged regarding the wisdom, utility, and appropriateness of including a course dedicated to accounting ethics as a requirement for undergraduate students. That line of reasoning follows an “input-based” model of accounting education—one in which the educator’s job is to “cover the material.” In this model, many academic colleagues slavishly follow the topics discussed in a textbook but with little or no reference to the utility of those topics vis-à-vis the student audience. The input-based model of education, while still in wide use throughout colleges and universities, is fundamentally flawed. It places more emphasis on what the instruc-

tor does than on what the student learns (some have referred to it as the “mug and jug” approach to education).

As far back as 1956, however, Benjamin Bloom advocated an outcomes-based approach to education at all levels. In his book *Taxonomy of Educational Objectives*, he developed his taxonomy as a guide for educators to specify clear, measurable course outcomes. Rather than focusing on “covering the material” in a particular textbook, outcomes-based education (sometimes referred to as competency-based education) tells stakeholders in the educational process what students know and/or are able to do when they finish a course that they didn’t know/couldn’t do when it started. Grades, while an imperfect measure, are a reflection of the extent to which students have mastered the course objectives.

Ethics outcomes

So, if we follow a competency-based model, what should accounting students know about ethical decision making? What competencies should they develop from the curriculum that will encourage them to accept their professional responsibilities

once they graduate? I humbly offer three outcomes for consideration. Upon completion of an accounting degree, students should be able to:

1. *Discuss the elements of various professional codes of ethics from diverse segments of accounting practice.* These codes could be introduced very early in the upper-division accounting curriculum. Rather than focusing solely on public accounting practice, however, they could also incorporate ethics codes from the Institute of Management Accountants (IMA®), the Association of Certified Fraud Examiners (ACFE), and the Information Systems Audit and Control Association (ISACA).

2. *Describe common models for ethical decision making.* In their 2003 book on *Management Control Systems*, Kenneth Merchant and Wim Van der Stede suggest four such models: utilitarianism, rights and duties, justice, and virtues.

3. *Apply the codes and models in various professional contexts.* Textbook problems, sample professional exam questions, and cases abound to help students become responsible, ethical decision makers. Cases and problems could be developed initially in a dedicated course and then be reinforced in subsequent parts of the curriculum. But, as stated above, the model for ethics education is less important than its content.

As accounting academics, part of our responsibility to students and the profession is evaluating the extent to which students have mastered the required competencies they will need in practice. With respect to ethics, those outcomes (or others) could be developed in a single course or across a range of courses. Let's look at a methodology for assessing students' abilities to be ethical decision makers.

Assessment

In their 1995 book *Assessment for the New Curriculum: A Guide for Professional Accounting Programs*, Joanne Gainen and Paul Locatelli define assessment as "the systematic collection, interpretation, and use of information on student characteristics, the educational environment, and learning outcomes to improve student learning and satisfaction." Thus, the first step in a good assessment program is the development of specific learning outcomes. Assessment of ethical decision-making skills is inherently subjective, so accounting faculty must become comfortable with evaluating "soft skills" to give ethics education credibility in the profession.

Competencies around ethical decision making could be assessed via exam questions. Consider, for example, the following scenario put forth by Peter C. Brewer, Ray H. Garrison, and Eric W. Noreen in their 2005 *Introduction to Managerial Accounting*, p. 73:

The top management of General Electronics Inc. is well known for "managing by the numbers." With an eye on the company's desired growth in overall net profit, the company's CEO sets target profits at the beginning of the year for each of the company's divisions. The CEO has stated her policy as follows: "I won't interfere with operations in the division. I am available for advice, but the division vice presidents are free to do anything they want so long as they hit the target profits for the year."

Here are some questions that could be used to assess ethical decision-making competence:

1. If a manager at GEI subscribed

to the utilitarianism school of ethical decision making, what actions might the manager take in response to the CEO's comment?

2. Based on the CEO's statement, a manager chooses to recognize revenue using cash-basis concepts rather than accrual-basis concepts. Use IMA's ethical framework to analyze the manager's decision.

3. Assume you are a division vice president in GEI. You have just purchased a new home and have a child ready to start college at an expensive private university. If you could earn a bonus based on your division's reported profits, would you employ earnings-management techniques to increase profits in the current year? Explain your decision-making process and your response.

A serious issue

The education of undergraduate students in the area of ethics is a serious issue. While it must be addressed in the accounting curriculum, a "one size fits all" model isn't the best way to approach the problem. Rather, using a competency-based framework with solid assessment tools will give our students the ethical decision-making competencies they need to succeed in the profession. ■

Robert L. Hurt, CMA, CFM, CFE, Ph.D., is professor of accounting at California State Polytechnic University in Pomona, Calif. His primary teaching interests are accounting information systems and management accounting, and his research focuses on accounting education issues. He is currently writing an accounting information systems textbook to be published in early 2007 by Irwin/McGraw-Hill. You can reach him at RLHurt@csupomona.edu.