



## Ethical Sensitivity of Accounting Students: Evidence from Malaysia

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### ABSTRACT

The goals of ethics education include the fostering of awareness about ethical components in managerial decision making and assist the students to apply ethical analysis to daily business activities. It is claimed that the inclusion of ethics in accounting curriculum can give students guidance as to how to deal with the real business situations. This paper investigates the importance of ethical sensitivity of accounting students and how ethics education would affect them. Specifically, it attempts to examine how attending ethic classes would affect their decision making. Questionnaires were distributed to 114 final year accounting students at the beginning of the semester (pre) and at the end of the semester (post). Interviews were also conducted to understand the issues of the study. Paired sample t-tests were employed to analyze the data. The results appear to suggest that the final year accounting students understand the importance of ethics in general. The paired sample t-tests results show that after attending the ethic classes, their ethical sensitivity improved. However, when they were given some ethical situations to assess, the students indicated that they possessed moderate ethical sensitivity for both pre and post results.

**Keywords:** Accounting Students, Ethics, Ethics Education, Ethical Sensitivity

**JEL Classifications:** I290, I230, M490

### 1. INTRODUCTION

It is claimed that as the business environment becomes more complex, tomorrow's business leaders need appropriate training to handle questionable ethical situations when they arise (Richmond, 2001). Ethical sensitivity towards ethical situation serves as a kind of triggering mechanism that starts the ethical decision making process (Saat et al., 2010). Williams and Elson (2010) claim that students graduating with accounting degrees are not familiar with professional codes of ethics, and do not have the ability to detect nor address ethical accounting dilemmas. Furthermore, in the complexity of today's business environment, students still need additional guidance for making ethical decisions, which can help them to recognize the ethical dilemmas that are likely to arise while performing their jobs, as well as the rules, laws, and norms that apply in the business context. This is where ethics courses and practical training play a role in the universities. Ethics courses would give the basic guidelines to the students about what right ethical practices comprise of and practical trainings provide exposure to accounting techniques and problems which are usually not encountered in the classroom (Thompson, 2011).

According to Bampton and Maclagan, (2005) ethical thinking is a generic competence, and ideally should be part of any curriculum. The view that ethics education, when properly incorporated into the curriculum, can make a difference in the attitudes and behavior of business students who are the future managers. Such views received widespread attention and support after recent corporate scandals (Luther and Karri, 2005). However, there is also the consideration that, even if ethics education is effective in achieving such goals, this may only have a short-term impact (Bampton and Maclagan, 2005). Accounting curricula must prepare students for their professional careers in accounting (Williams and Elson, 2010). Jackling et al. (2007) support this view by noting that members of professional accounting bodies worldwide acknowledged that ethics should be part of the accounting curriculum just like any other accounting technical skill courses.

Previous studies claim that measuring students' ethical sensitivity on whether they were given chances to make ethical decisions or encountered an ethical dilemma or ethical challenges is important to ensure that accounting students are properly developing adequate ethical reasoning skills within their undergraduate curriculum (Chan

and Leung, 2006). On the other hand, there are also people who doubt the necessity of ethics courses because they do not believe that ethics could be taught or learned in classrooms and suspect the ill timing of teaching ethics at postsecondary level and assert that ethics should be learned earlier. Ethics courses have stimulated much discussion in society. There are conflicting views on whether ethics can be taught and conflicting expectations about how the teaching of ethics will lead to more ethical behavior (Ho and Lin, 2006). In addition, there are limited studies examining accounting students' ethical sensitivity and how ethics courses and practical trainings help in exposing them compared to theoretical knowledge.

Thus, considering the important of this issue, this study aims to examine the ethics courses offered by Malaysian public universities as part of accounting curriculum. Specifically, this study would examine how ethics classes have assisted the students in their ethical decision making. In addition the students were also asked about the ethical situations/dilemmas that they faced during their practical training. It is claimed that based on the given exposure and experience, it is important to measure whether students are really prepared to face ethical challenges of the real world. Although students benefit from the practical experience, some may be receiving negative signals from the training firm where the ethical climate is less than satisfactory (Saat et al., 2010). This study is further supported by Richmond (2001) who has argued that if socialization into the accounting profession actually begins during the collegiate years, it is important to the profession that undergraduate accounting students' ethical reasoning skills are properly measured and understood.

## 2. RELATED LITERATURE

Discussing about accounting profession, Myyry (1993) reports that the professionals are relatively free to make their own decisions and often they have power over their clients. On the other hand, greater autonomy brings with it greater responsibility, thus professionals are more responsible for their professional behaviour than individuals working in occupations with a limited amount of autonomy (Myyry, 1993). In line with that, recent developments in the profession (e.g., increased competition, broadened scope of services, frequent litigation) as well as rapidly occurring legal, political, social, and economic phenomena has intensified demands for an increased ethical awareness among accountants (Ward et al., 1993) and future accountants. Thus, ethics education is claimed to be important (Higgs and Kapelianis, 1999).

Business ethics as a subject has received a great deal of attention in recent years. The issues have ranged from what constitutes ethics to possible methods of altering ethical beliefs. Perhaps the most widely examined topic in business ethics and ethical behavior in general, involves factors contributing to individual differences in ethical beliefs (Peterson et al., 2001). Taking a course in ethics appears to improve students' ethical sensitivity and belief that ethical behavior is associated with successful business outcomes (Weber and Glyptis, 2000).

Gandz and Hayes (1988) suggest that the goals of ethics education include the fostering of awareness of the ethical components

of managerial decision making, the legitimization of ethical components as an integral part of managerial decision making, the provision of conceptual frameworks for analyzing the ethical components and to help individuals become confident in their usage, and the helping of students to apply ethical analysis to everyday business activities. The inclusion of ethics in accounting courses can give students guidance as to how to deal with these situations (Bampton and Maclagan, 2005).

While many facets of one's ethical personality are determined during adolescence, this ethical personality continues to change and develop well into adulthood; therefore, in order "to function ethically in professional situations (one) requires special education and preparation" in conjunction with one's professional training (Borkowski & Ugras, 1992). However, Sugahara, Urasaki, Minghai and Boland (2010) argues that different cultures have different definitions of ethics in the context of accounting education because ethics education programs in each country reflect its national and cultural environment in addition to its' education system.

McPhail (2001) reports that the most important objective of ethics education is to disrupt students' perceptions about their profession, themselves and the impact that their actions, as accountants, have on other individuals. In addition, Hihebeital and Jones (1992) noted that an assessment on the effectiveness of ethics instruction could be made regarding the students' ability to identify alternative responses to a moral situation and the effects of various moral alternatives on various stakeholders. Students also should be able to evaluate the ethical implications related to a particular accounting issue by referring to various ethical principles. Reviews have revealed that ethical conduct and education are critical to modern society, the business world, and the accounting profession. When lapses in ethical behavior by accountants occur, the profession's credibility is endangered (Kerr and Smith, 1995)

Levy and Mitschow (2008) further revealed that while the absence of more broadly educated accountants has likely hurt the profession in a number of areas, they believe that inadequate ethics education is among the most critical failures. This is further supported by Wood et al. (1988) which revealed that accounting students were more willing to engage in questionable activity (padding expense accounts, pressure from brokerage firms to recommend inferior investment products, price fixing within contract bids, inappropriate Christmas gifts to purchasing agents, and illegal copying of computer software) than were their business counterparts.

McPhail (2001) claimed that one of the initial challenges of accounting education is to develop a broader appreciation of accounting function as a context against which the moral aspects of this practice can be explored. However, as real ethical situations are often more ambiguous than those scenarios used in ethics education programs, and thus mere recognition may not be the important variable in terms of effectiveness of ethics education, individuals might look to others in their environment to guide their behavior (Halbesleben, Weeler & Buckley, 2005). Regardless at

what stage ethics education takes place, the post-Enron era has presented an opportunity for critical advances in ethics education and one in which professional accounting bodies ought to have a role (Jackling et al., 2007). Furthermore, the importance of the work environment on ethical behavior raises the issue of the role of professional accounting bodies in not only providing professional accreditation courses for university graduates, but also the provision of ongoing professional development activities in ethics education (Jackling et al., 2007). Thus, this study attempts to examine this issue.

### 3. RESEARCH METHOD

Data used in this study was collected using primary sources. Questionnaires were distributed and interviews were conducted to better understanding the issue of the study. The questionnaire used in this research was adapted from Min (2010), Cagle and Baucus (2006), Jackling et al. (2007), Saat et al. (2010) and Richmond (2001). Questionnaires were distributed to all 120 accounting students at a public university in Malaysia. These respondents were final year students who had gone through their practical training. The same set of questionnaires was distributed to the same respondents in the first week of the semester and in the last week of the semester. Paired sample t-tests were employed to analyze the data.

About 114 questionnaires were returned and usable for the study. The questionnaire consisted of four sections. The first section attempted to solicit information about the importance of ethical values to the accounting students. The second section tried to obtain information about the perceptions of the students on ethical environment of the organizations or clients' businesses that they encountered during their practical training. Ethical scenarios were given in the third section of the questionnaire to measure the ethical sensitivity of accounting students. And the last section sought information about the respondents' socio-demographic. The respondents were required to answer based on a five point

Likert scale (1- strongly disagree to 5- strongly agree). In addition, interviews were conducted to get further insight on their ethical sensitivity. Twelve final year accounting students were chosen randomly for in-depth interviews. The interview took about 40 minutes each.

## 4. RESULTS AND DISCUSSIONS

### 4.1. Descriptive Statistics

All the respondents were final year accounting students in one public university in Klang Valley. The analysis of the profile indicates that more than majority (75%) of the respondents were female and 25% of the respondents were male. More than 38% of the respondents had CGPA between 3.51-4.00. Another 44% of the respondents had CGPA between 3.01-3.50, and the balance (18%) had CGPA below 3.00.

### 4.2. Paired Samples t-test

Paired samples t-test was run to examine the effects of having ethics classes for the sample respondents. The same questionnaires were distributed to them at the beginning of the semester (before the class started – Time 1) and at the end of the semester (Time 2).

#### 4.2.1. Understanding and awareness

Table 1 summarizes the mean score of the respondents for Time 1 and Time 2. The items in this table are general in nature and try to solicit the respondents' understanding and awareness about ethics. The results appear to indicate that all the mean score for Time 2 is higher than Time 1 and this indicates that students were more sensitive and aware about what was required from them (such as what was ethically right and what was ethically wrong) as citizens when they graduate and enter the job market. For example, the scores are significantly different between Time 1 and Time 2 for item "A person should make certain that their actions never intentionally harm another even to a small degree" and "Being ethical and socially responsible is the most important thing a person can do".

**Table 1: Understanding and awareness about ethical values**

Item	Mean	t	Sig (2- tailed)
Pair 1			
One should take action only when sure it is morally right			
Time 1	3.75	-1.808	0.077*
Time 2	3.98		
Pair 2			
Accepting a customer with questionable credit, or a very short credit history is unethical			
Time 1	3.16	-4.423	0.000***
Time 2	3.76*		
Pair 3			
A company's first priority should be employee morale			
Time 1	3.31	-3.820	0.000***
Time 2	3.88		
Pair 4			
A person should make certain that their actions never intentionally harm another even to a small degree			
Time 1	2.69	-7.574	0.000***
Time 2	4.08		
Pair 5			
Being ethical and socially responsible is the most important thing a person can do			
Time 1	2.88	-6.365	0.000***
Time 2	4.08		

\* Indicate significant at 10% level, \*\*\* Indicate significant at 1% level

Partly, these results were supported by the interview results. The interviewees were asked about their opinion on the ethic courses that they had attended during the semester. Eight of the students claimed that classroom studies helped and guided them on what was ethical and what was not. Among others they commented:

*"We must have the ethical values first, whether in class or training. We must have general idea on what it is all about." (Mr D)*

*". my point is that, it is necessary to give a guideline, so that we know what is ethically right and what is ethically wrong."(Mr B)*

*".....; now I think I know what is ethical and what is not."(Mr C)*

*"I am more conscious now, as I know which one is right and wrong."(Mr D)*

*".....not to say that I am more ethical, but now there is awareness"(Miss J)*

This is consistent with earlier studies by Gandz and Hayes (1988) and Bampton and Maclagan (2005), which argue that ethics education may provide the guidelines for the students on what is ethically right and wrong. However, they also claimed that these classroom learning is not adequate to prepare them to face the working life. It provides the students with the understanding of ethical basic concepts but the real world is much more complicated. Among others, the students state that:

*"...ethical training cannot adequately prepare students because sometimes in the real situation, what is right or wrong to do is not clearly taught in class. But when you go to real working world, things are more complicated, too much of problems and not easy to be identified."(Mr A)*

*"...In the class, we are taught the right answers but in the real world it is different."(Miss G)*

*"...Of course it can't prepare adequately but we must have the idea on ethics first."(Mr D)*

*".....Now I'm taking the ethics course, and what happen in the class is just discussions and mere talking."(Miss F)*

*"In the real world, things are complicated, and not easy to solve" (Mr C)*

However four other interviewees disagree, they stressed that it depended on how the classes were conducted. If the students were exposed to real world scenarios and related discussions, then it will be effective.

*"I think it depends on how the class is conducted. But sometimes, we do not know how we will react until we are tested."(Miss L)*

#### 4.2.2. Ethical situation in real world – based on practical training experience

In addition, the students were also asked about their own experience relating to ethical values and ethical environment at the internship organizations which they were attached to and the real working setting during their practical training. Table 2 presents the results of the questionnaire for Time 1 and Time 2.

The results in Table 2 appear to show that the real situation out there is complicated. In Pair 1 and Pair 3, the mean score significantly decreased and different at 1% and 10% level of significant between Time 1 and Time 2. Based on their practical training experience the level of agreement of the respondents appears to decrease in relation to "how business ethics are critical for the survival of a business enterprise", "To remain competitive in a global environment, business company will have to maintain its ethical responsibility". They also appeared to think that what was important for companies was the profits that they earned, and the efficiency, but not the ethical values (Pair 2 and pair 4).

**Table 2: Respondents' response based on their practical training experience**

Item	Mean	t	Sig (2- tailed)
Pair 1			
Business ethics are critical to the survival of a business enterprise			
Time 1	3.98	3.018	0.004***
Time 2	3.47		
Pair 2			
The most important concern for a company is making a profit, even if it means bending or breaking the rules			
Time 1	2.37	-4.186	0.000***
Time 2	3.25*		
Pair 3			
To remain competitive in a global environment, business company will have to maintain its ethical responsibility			
Time 1	4.02	2.710	0.009**
Time 2	3.47		
Pair 4			
Efficiency is more important to a company than whether or not the company is seen as ethical or socially responsible			
Time 1	2.73	-1.920	0.061*
Time 2	3.18		

\* Indicate significant at 10% level, \*\*Indicate significant at 5% level, \*\*\*Indicate significant at 1% level

**Table 3: Respondents' response on the ethical situations**

Ethical situation	Mean	t	Sig (2- tailed)
Pair 1			
An executive earning RM100, 000 a year exaggerated his expense account by about RM3,000 a year.			
Do you agree with the executive's action?			
Time 1	2.63	2.111	0.040**
Time 2	2.20*		
Pair 2			
Because of pressure from his brokerage firm, a share broker recommended a type of share that he did not consider being a good investment. Do you agree with the share broker's action?			
Time 1	2.65	2.469	0.017**
Time 2	2.14*		
Pair 3			
A small business received one-fourth of its gross revenue in the form of cash. The owner reported only one-half of the cash receipts for income tax purposes. Do you agree with the owner's action in reporting the revenue?			
Time 1	2.84	3.092	0.003**
Time 2	2.20*		
Pair 4			
A company paid a RM100 000 "consulting" fee to an official of a foreign country. In return, the official promised assistance in obtaining a contract that will produce RM5 million profits for the contracting company. Do you agree with the company's action?			
Time 1	2.75	0.939	0.352
Time 2	2.53*		

\* Indicate significant at 10% level, \*\* Indicate significant at 5% level

#### 4.2.3. Respondents' response on the ethical situations

Section three of the questionnaire provided a few ethical situations for the respondents. They are supposed to state their level of agreement to the action taken by the doer in each of the situation. Table 3 presents the results of their responses.

Table 3 presents the students' responses to the scenarios to measure their ethical sensitivity. The detail results of the data indicate that (in each scenario) more than majority of the students strongly disagreed and disagreed with the unethical conducts in the scenarios. However, 17% - 30% of the students chose to take the neutral position, and 6-20% of the respondents agreed with the unethical act, but none decided to strongly support the unethical acts.

Overall, the respondents appeared to understand the importance of ethics as shown in Table 1. However, in Table 3, the score of more than 2, but less than 3 (in both Time 1 and Time 2) in 5 point likert scale indicates that they are taking a moderate approach when assessing the given situations. This result is similar to the earlier findings of studies by Mustapha and Sing Siaw (2012) and Abu Bakar, Ismail and Mamat (2010). They found that although the students would not prefer to indulge in unethical behaviour, but majority of them opted to be on the safe-side by neither acting unethically nor blowing the whistle. This is where the educators and faculties can play their roles in instilling the ethics values in the learning processes at the universities. This is especially important when the real environment in the job market is challenging as shown in the results in Table 2. This environment may influence them if they are not properly guided.

## 5. CONCLUSION

This study explores the importance of ethical sensitivity among accounting students and how their ethic classes affect their

ethical values. The study examines the pre and post effect of ethics education. The statistical results appear to suggest that the final year accounting students understand the importance of ethics in general. However, they indicated that they faced a real challenging environment during practical training where some of the organizations/clients' organization seemed to put more priority to profit and efficiency rather than ethical values. This highlights the role of the educators, faculties and professional bodies to stress the importance of ethical values in business dealings so that this unhealthy environment will not influence them. When they were given some ethical situations to assess, the students indicated that they possessed moderate ethical sensitivity.

There are some limitations in this study that may have implications in interpreting the results. The interviews were conducted with only 12 final year students. Opinion and feedback from more interviewees may provide better findings. The perception of students and lecturers from both private and public universities may be obtained in future studies.

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