

**BUSINESS ETHICS IN PUBLIC ACCOUNTING:
ETHICAL DILEMMAS FACED BY TODAY'S PUBLIC
ACCOUNTANTS AND ITS IMPLICATION TO
ACCOUNTING EDUCATION**

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Abstract

This paper focuses on the critical topic of ethics in public accounting. This paper draws on several important concepts related to ethical reasoning contained in existing research on ethics in the public accounting field. To obtain insights from the ethical dilemmas faced by accountants, a survey was sent to accountants who currently work in a public accounting capacity. The paper attempts to connect some of the existing ethics and moral reasoning literature to actual ethical dilemmas that professionals in the public accounting field experience today. Finally, the paper expands the discussion to explore the implications to ethics education in accounting.

INTRODUCTION

In the accountancy profession, high ethical principles are invaluable to stakeholders such as clients, creditors, governments, taxation authorities, employees and investors. The business world perceives accountants as competent, objective and dependable professionals and relies on their professional services for decision-making. Professional accountants, as a result, should not only be well qualified in accounting knowledge but also possess a high degree of integrity and an understanding of ethical principles. Public accounting is unique in comparison with other professions in that ethical behavior does not simply allow it to continue to serve the business community smoothly, but the entire foundation of the profession is built on trust in the competency and integrity of the accountant. Public accounting exists to verify the financial accuracy and validity of information provided by various institutions. If the public accountant cannot be trusted, their opining on the trustworthiness of another's work is rendered "of little value" to the stakeholder and, possibly, the hiring institution. (Carey, 1947) Thus, misconduct from a professional does not just harm his or her individual practice but rather threatens to undermine the basis of the occupation. This philosophy can be seen throughout our history. In fact, Aristotle, born in 384 BC, professed that financial and professional organizations should be entrusted to maintain high levels of public integrity and truthfulness. (Magill, 2009)

It is argued that accounting, by its nature, emphasizes ethical behavior even more than its technical expertise. (Waddock, 2005) For instance, no discussion of ethics in public accounting can ignore the Enron scandal and the demise of Arthur Andersen, the auditor. Aside from the incredible financial loss caused by the behavior of employees within these firms, the most important discovery by the public focused on the lack of ethical principles demonstrated in these events. It should be noted that the defenders of the individuals who caused the Enron debacle did not resort to claiming ignorance of accounting, or, that they did not realize it

would mislead investors and that their subordinates were responsible for the crime. The heart of the criminals' defense was that the tricks used to deceive the public met "all necessary accounting and legal criteria." (Haldeman, 2006) It is clear in this instance that the accountants involved, although brilliant in their technical expertise, possessed underdeveloped sensitivity to ethical standards that are the very foundation of their field. Since public accounting cannot exist without incontrovertible ethics, every effort must be made to recognize the ethical dilemmas accountants might face, the reasoning exercised by them to determine the optimal ways to react to ethical dilemmas, and, to enhance the teaching and understanding of ethical decision-making for future and current accounting professionals.

An overwhelming problem in business and education today is, that given so much emphasis on ethics, the cases of unethical and illegal behavior such as corruption, embezzlement, and inappropriate accounting practices are still pervasive. Although human greed cannot be eliminated, increasing the awareness of ethical dilemmas that one might experience can help individuals recognize circumstances that have the potential to challenge one's ethical values. The purpose of this paper is to review related literature in business ethics and share the responses from a survey of public accountants regarding ethical dilemmas that they experienced in their career. The discussion sheds light on the ethical dilemma that a financial professional may face, particularly in the public accounting context. Several ethical dilemma scenarios shared by public accountants from the survey are integrated in the discussion. The paper concludes with the implications to ethics education in accounting.

BACKGROUND AND LITERATURE REVIEW

One area of research in ethics focuses on the development of the cognitive reasoning structure that precipitates a moral decision or choice. Many researchers have used Kohlberg's model

(1969), the Cognitive Moral Theory (CMT), to measure ethical reasoning abilities. Kohlberg (1969) identified a culturally universal sequence of stages for moral judgment with the stages broken into three levels of understanding. In the first level, the Preconvention level, Kohlberg proposed two stages of moral development, Stage 1, punishment and obedience and Stage 2, instrumental exchange. In the Conventional level (level two), Kohlberg proposed Stage 3, interpersonal conformity and Stage 4, law and order. In the post-conventional level (level three), Kohlberg identified Stage 5, prior rights and social contract and Stage 6, universal moral principles. At the pre-conventional level, individuals determine moral acceptability based on punishment (Stage 1) and reward (Stage 2). At the conventional level, individuals' moral decisions are affected by meeting the expectation of their peer groups (Stage 3) and the society or institutions with which they belong to (Stage 4). Individuals at the post-conventional level evaluate moral acceptability based on their judgment about whether the decision will benefit society (Stage 5), and, if their decisions will follow their own principles even if their judgment might conflict with societal values (Stage 6).

Ethical theories related to decision-making include utilitarian theory, the theory of justice, and rights theory. Utilitarian theory considers the interests of all parties affected by a decision and chooses the option that benefits the greatest number of people. The utilitarian theory recognizes that trade-offs may be involved, and thus a cost-benefit analysis must be considered in reaching a decision. In comparison, the theory of justice emphasizes the need to select an option that creates fair benefits to all parties affected by a decision as opposed to most parties.

The third ethical theory that is often included as part of a framework for analyzing ethical dilemmas is the theory of rights. Under this theory, the rights of all parties affected by an ethical situation are considered, and an alternative that does not violate anyone's legitimate rights should be selected. Understanding these theories can benefit students because it serves as a framework for

analyzing ethical situations that individuals may encounter in their career (Reisch & Seese, 2005; Armstrong, 2003). However, Mintz (1997) comments that, in business contexts, the theory of justice stipulates that decisions should lead to a fair and equitable allocation of resources among stakeholders but defining fair and equitable is a matter of debate, which can make the application of the theory difficult.

Some studies focus on the auditor's reasoning process and how it relates to the auditor's experience and knowledge with applying accounting standards (Butt, 1988; Merchant, 1989; Nelson et al. 1995; Vera-Munoz, 1998). In addition, the nature of the auditing role (internal vs. external auditor) affects the perception of "whistle-blowing" (Arnold & Ponemon, 1991). Prior research also suggests that contextual factors, which trigger the individual's response to situations, relates to the reasoning process and moral intensity (Jones, 1991; Hoyk & Hersey, 2008; Valentine & Bateman, 2011). To better understand the effects contextual factors can have on ethical reasoning, this paper surveyed public accountants about the potential ambiguity of a situation and the relationship the public accountants formed with stakeholders and how these contextual issues influenced their individual moral reasoning process.

RESEARCH DESIGN

A survey was sent to accountants who worked in a public accounting setting. An open-ended survey was designed to gather real life examples of ethical dilemmas faced by professionals working in the field and the professionals' outlook on these ethical dilemmas. Participants had to consent to the terms of the survey and were ensured that their responses would be kept confidential. The survey was sent to forty public accountants with a 75% respondent rate. Out of these, only twelve acknowledged facing ethical dilemmas. Out of the twelve completed surveys, only ten respondents specifically described an ethical dilemma that they

experienced. Two of the twelve did not clearly describe any specific event and, therefore, were not included in this study. The following section presents survey results from the ten respondents followed by discussions about the experiences and reactions of the participants and the choices they made when dealing with their ethical dilemma. Fictitious names were used to discuss the case and keep respondents anonymous. The respondents' profile along with a summary of the ethical dilemmas they experienced can be found in Appendix A. The survey instrument can be found in Appendix B.

SURVEY RESPONSE AND DISCUSSION

Case 1

Joan was an auditor working closely with a client that owned a family-run business. Joan described the ethical dilemma she experienced when asked to provide personal communications information to a client.

While working on a client engagement at the client site, during a meeting with another associate, an employee and myself, one of the employees for the client requested my personal information (personal email and personal phone numbers). It occurred about halfway through the engagement for year-end fieldwork. The situation was isolated as the client only requested this of me once and did not request it of any other engagement team member. The client's working environment was very relaxed and it was a 4th generation family-run business that retained employees and sometimes hired their relatives with some employees having a long history with the company. As such, the employee did not see the harm in keeping in touch after the engagement was over. Once the personal information was requested of me, I politely informed the employee that I was unsure of my firm's policy on personal communications with clients and that I may be risking my independence if I gave him my personal information. With that said, I excused myself from the meeting and

immediately pulled up my firm's ethics guidelines from the intranet. I also made my Senior Associate aware of the occurrence. Although I did not want to give the employee my personal information, I still wanted to ensure that I could inform the employee that I could not give out my personal information due to the firm's policies so that the situation was less awkward for me. I also informed my senior manager of the situation in order to speak with someone that was higher than me that could help me deal with the situation if it escalated. I saw this as an ethical dilemma because, as a professional in an accounting firm, it is important to keep a professional relationship with clients. This employee was crossing into a "gray" area when he asked for my personal information. I returned to the employee and informed him that I could not give him my information due to firm policy but that I'm happy to continue communicating with him regarding the audit areas through my business email account. The employee understood the implications, did not ask for my personal information again, and remained pleasant throughout the remainder of the audit. I would not change the way I handled the situation as I followed firm guidelines as well as my own personal ethics.

Discussion: Ambiguity and Sensitivity

During the audit work, the client asked for Joan's personal contact information in order to keep in touch with her after the business engagement ended. From Joan's perspective, there was a gray area in determining if the client's motives were pure and, more importantly, if there were specific codes of conduct prohibiting such behavior. Once Joan sensed an ethical dilemma, she was willing to embrace the ambiguity in the situation and exercise her sensitivity to the potential ethical dilemmas that came with it. She delayed giving an answer to the client, she informed her senior manager at work of the behavior and her reaction, and delved into the firm's policy regarding employee/client relationships. In doing so, Joan realized that such an exchange of

personal information could compromise or, at least appear to compromise, her independence. To avoid such a situation, she informed the client of her discovery and politely declined the request.

Despite the overall consensus of the importance of ethics in public accounting, one crippling issue that the profession faces is the “ambiguity” and the general perception that ethics can be vague. Perhaps, because of this issue, ethics is often seen as something esoteric and far removed from reality, making it “inaccessible to most students and managers.” (Trevino and Nelson, 2004) Joan’s willingness to embrace ambiguity and her sensitivity about the dilemma, allowed her to come to a solution that conformed to her firm’s policy while maintaining positive relationships with the client and his superior.

The inconsistency in accounting standards require accountants to apply their professional judgment to issues for which there is often no single, ethically correct solution (Thorne, 2000). The ambiguity involved in the application of accounting standards may become even more pervasive after IFRS adoption that the principle-based financial reporting demands more professional judgment.

Case 2

Lynn shared the ethical dilemma she experienced when working with a client who wanted to bend rules.

We worked with a client that we had a really good relationship with. However, the client always tries to push something that was not correct; it was a matter of compromising professional and accounting standards to please the client or to refuse. The team confronted the client and insisted on using the proper accounting treatment. In the end the client agreed to follow the correct method.

Case 3

John was involved in an audit regarding reserves for accounts receivable. John experienced an ethical challenge regarding the recording methods his client used in this process. Here is John's story.

An audit I was involved in raised some issues with the reserves for accounts receivable that the client was recording. We felt that the client was under recording these reserves and when we calculated what we felt was the correct amount, the client would no longer pass the debt covenants established with its lenders. The entire audit team and management were informed of the issue and eventually the client's lenders became involved. This was an ethical dilemma because, as auditors, we are obligated to follow the standards established for the profession and to attest to financial statements that are not materially misstated. In addition, this reclassification would have disrupted the client's business operations. Eventually the client's management and our lead partner approached the client's lenders to explain the situation and request a one-year reprieve for failing the debt covenant so the client could work to become compliant with its debt covenants. I would not have changed how we handled this situation because the entire audit team was involved in the decision-making process to resolve this situation while still servicing the client.

Case 4

Susan reported that a senior staff member who she was working with asked if he could borrow her CPA exam review materials. This request posed an ethical dilemma that Susan needed to deal with.

A senior staff member I was working with asked if he could borrow my CPA exam review materials (which is restricted by the review company). Since this was someone I work with every day and who would probably be writing a review assessment of my work I was unsure about what to do. I didn't feel comfortable so I told him that I had already given them to a friend from college and

told him I would let him know when my friend was finished with them. Luckily the topic never came up again.

Discussion: Relationships and Confrontations

A healthy professional working relationship between a client and an auditor may suffer from conflict if that relationship is not supported by the “absolute independence” principle that any auditor should follow. Cases 2 and 3 demonstrate times when this principle has been tested. Similarly, a good relationship among co-workers may also suffer from the same ethical stress as seen in Cases 2 and 3 when one person, for example, attempts to take advantage of another by requesting confidential information or unfair favors. This potential relationship conflict is exasperated when company standards neglect to provide guidance to employees on behaviors that may violate professional ethical codes or professional standards of behavior. Case 4 shows that different ethical dilemmas could evolve during work that may not be directly related to an accounting or auditing task. Susan recognized an ethical dilemma that could affect her career with a relatively simple request such as letting a colleague borrow copyrighted material. Although her response (she lent the material to someone else) did not accurately convey the ethical principle dealing with protected review materials and the sharing of such, the excuse did allow her to avoid copyright violations.

Aristotle believed that falsehood, in of itself, is bad while truth is good. And, the true lover of the truth would be truthful even when something is at stake. (Irwin, 1999) However, if we mix kindness into a situation, then a told lie may be acceptable. If Susan wanted to uphold her principles, she fell short because of the lie she perpetrated. According to Aristotle, if she were more truthful in her responses to a senior staff member, she would have experienced more happiness. But, by lying about where the copyrighted material was, she avoided an unpleasant situation with someone who may have an influence on her career. Aristotle would also argue that, it would be impractical to expect all humans

to act completely ethical at all times. Aristotle believed that there are two types of virtue, one of thought and one of character. Virtue of thought comes to one as a result of teaching and, therefore, needs time to grow. Virtue of character comes from habit; of practicing what one is taught. (Irwin, 1999) Using this philosophy of thought, Susan demonstrated that she understood professional ethics through her teachings but she had not enough time to practice being virtuous or dealing with others who acted dishonorable.

Immanuel Kant, on the other hand, believed more in uniformed standards of goodness in which all humans attain goodness in the same manner because goodness is good in itself and we all have a duty to fulfill the law. (Gregor, 1996) Following Kant's philosophy, Susan should have been truthful about the whereabouts of the copyrighted material for the sole purpose of goodness and one's duty to uphold goodness.

Since the Enron scandal, there have been many positive changes that enhance public accounting such as the separation of consulting and auditing services by one firm to the same client, the Sarbanes-Oxley Act and the establishment of the Public Company Accounting Oversight Board (PCAOB), among others.

Even though there are numerous rules in place to prevent unnecessary familiarity between an auditing firm and its clients, firms still have to be paid by their clients for their audit work. An auditor comes in contact with the individuals who serve the client's interest on a regular basis while he or she might never meet a single stakeholder who invests in the auditor's work.

The stakeholders, for whom the public accounting profession exists, do not pay the accounting professionals nor are they in personal contact with them. This makes for a unique situation in which the public accountants experience a singular disconnect with those they must serve while being around those of whom he or she must maintain professional skepticism for at all times.

This disconnection from people who stand to benefit from ethical work and constant exposure to those who the public accountant must mistrust might be an important cause of poor ethical decisions in the field. The focus for accounting governing rules in ethics sits with the “professional-to-professional” or the “professional-to-client” relationships and not with the “professional-to-stakeholder” relationship. This exclusivity may cause an inability among businesses and public accountants to relate to individuals and groups other than those in a contractual relationship. (Mathews, 1995) A loss of focus and awareness of the party for whom the profession exists can easily cause deep confusion among public accountants and an erosion of the essence of their profession.

Case 5

Casey works as a junior auditor and sometimes experiences disagreements as to whether a difference is material or not. This is her story.

Sometimes there are disagreements as to whether or not a difference is material. Ultimately, it is the responsibility of the engagement partner and manager to determine whether a potential adjustment is material. My particular firm has a very high ethical standard and any non-compliance can result in termination. Because of this, I think people continue to act in an ethical manner.

Case 6

Jack witnessed an ethical dilemma in his work group, whereby a new Associate contacted a client directly to get more information about a potential acquisition. Jack discussed how he dealt with this ethical dilemma.

We just had an ethical dilemma in my group, whereby a new Associate like myself contacted a client directly to get more information about a potential acquisition. The Associate proactively reached out for information in an attempt to profit

personally from the confidential information. The client went to their company's CFO, who came to a partner here at my firm, who then confronted the Associate, in question. After getting involvement from many of the senior partners, the decision was made to let this individual go from the firm. It reminded everyone about the nature of our business, and the confidential information we are entrusted with. We are now even more keenly aware of not letting information slip or discussing confidential projects with others, even with other colleagues who may not be on the same projects.

Discussion: Rules and Penalty

Setting the “tone at the top” by demonstrating a commitment to high ethical principles would raise the consciousness and cultivate the ethical culture of a company. The “tone at the top” sets the attitude, approach, role modeling, and commitment by senior management to the company’s written policies for performance specifically and ethics in general. Every member of the organization notes, and responds to, the way that Senior Management behaves and the standards that it emphasizes. An environment where leadership does not adhere to policy or ethics is ripe for fraud, as individuals will think they can escape repercussions from unethical actions. On the other hand, a senior management team that engages in policy review and revision, which expects and demands consistent adherence to policy, and behaves with transparency, sends the message to the organization that lesser behavior will not be tolerated. Members of the organization will rise to the occasion, and the risk of fraud will decline. In both cases 5 and 6, the firms clearly and firmly communicate the message of “no tolerance” for unethical conduct and, consequently, increased the awareness of protecting clients’ confidential information.

A discussion of the motivation of public accountants to make ethical decisions would be inadequate if it only discussed what the motivations should be while neglecting the motivations

that persist within the field. The most obvious motivation to public accountants is a focus on existing rules and avoidance of penalties that may be incurred upon their violation.

Premeaux (2009) studied ethical philosophy before and after the Enron scandal and concluded that respondents were “more likely to select more ethically” after this incident. This marked increase in ethical consciousness may not stem from a concern for the highly sensitive nature of the profession, but rather a heightened awareness of the consequences of unethical behavior. Public accounting professionals may be becoming more engrossed with the red line of laws, “adopting strategic attitudes towards” them while neglecting to “experience a resurgence of moral consideration,” the very principles behind the laws. Although there is a definite need for laws and clear rules to ensure ethical behavior, they must be balanced with a healthy awareness and appreciation for the principles behind them. In fact, excessively stringent laws or company rules can lead to the deterioration of an accountant’s ability and motivation to access their personal moral standards and attempt to wrestle with ethical dilemmas. (Stansbury and Barry, 2007)

Case 7

Jane worked as an auditor and, for one client, forgot to include a document in the work papers and tax return. Jane discussed the way she reacted to the mistake once she recognized it.

I forgot to include something in the working papers and tax return for one of the clients and the partner I was working with had already spoken to the client a couple times. I knew he would be mad that he hadn't looked through everything thoroughly enough the first time, and I was afraid to tell him. But it was important to look out for the best interest of the client. Also, it was important for the reputation of the firm to ensure the accuracy of the tax returns. So I told the partner that I had forgotten to ask him to obtain certain information from the client. He was very

disappointed and annoyed with me, but he called the client again and got the information, and I was able to complete the return. I was much more careful and double-checked all the details with every return I worked on after that.

Case 8

Neil was asked by a superior to impersonate a fellow employee to obtain needed bank information. Neil discussed this ethical dilemma and how he managed it.

I was asked by a professional superior to tell a bank by telephone that I was someone other than myself (to name a different employee) in order to quickly access data. I politely refused. I knew the end goal was completely legitimate and professional but the means to attain that goal were not. This was my direct superior that I have worked for and with for many years and have tremendous respect for. His motives were not in question. However, I had to directly refuse even though it was uncomfortable. Looking back, I would do the same. In the end, we received the information we needed via the appropriate channels, although it took longer to get the information, since I first had to go through the clearance process to gain access to the account.

Case 9

Michael was a junior public accountant. While completing the quarterly procedures, it was communicated to the audit team that there would be contingency fees for meeting certain deadlines ahead of schedule. Michael discussed his discomfort with this policy.

In completing our quarterly procedures, it was communicated to the audit team that there would be contingency fees for meeting certain deadlines ahead of schedule. As contingency fees suggest a breach of independence and possible elevated levels of misstatement associated with it, I did not feel comfortable in performing the work, at least in the manner that it was communicated. Being in an entry-level position, I feared that I

would lose my job if I did not comply. Ultimately, it was a non-issue and it was just misrepresented, I believe, as a poorly constructed motivating factor, and, instead has built resentment towards management in their methods. In retrospect, I think I would probably ask more questions to determine if there was a dilemma in the first place.

Case 10

As an auditor, Jamie realized that she needed to discuss ethical choices with her superior. She hoped that, in the future, her subordinates would do the same with her.

One ethical dilemma that auditors can face quite often is when audit evidence that we obtain does not support the accounting for the transaction. Usually, there is a reasonable explanation for any differences (e.g. the accounting policy changed, there was an immaterial error, there was an error that was corrected subsequently, etc.). However, during crunch-time when there isn't always time to evaluate audit evidence in a timely fashion, auditors must ask the client questions up to several weeks after the client provided the audit evidence, including times after it has been communicated that the auditors are "substantially complete" with the audit. The dilemma that we face is whether to ask the questions (even though it can be embarrassing) or just attempt to "make it work." This is a dilemma because it is our job and ethical duty as auditors to ensure that our audit opinion is supported by substantial audit evidence and not assumptions. The people who are aware of the dilemma depend on the transparency of the auditor with the questionable audit evidence; it can range from just that auditor, to that auditor and his/her direct supervisor, to the entire audit team, to the audit team and the client. The first step that I typically take when I am in this situation is to bring the issue to the attention of my senior manager. Depending on the materiality of the issue, my senior manager may then bring the issue to the attention of their manager. As a team, we then evaluate the issue and potential solutions and make a decision

based on the materiality and pervasiveness of the issue. In my experience, the team has always found a solution to these situations. However, when I become a senior in charge of staff accountants, one fear that I will have is that my staff will be faced with such an ethical dilemma and just decide to “make it work” rather than bring the issue to my attention and get down to the bottom of the issue and resolve it.

Discussion: Awareness, Principles and Values

Although relying on principles alone can be inefficient and vague, as discussed in the previous section, considerations behind rules and laws must remain a priority. It is time to acknowledge that disproportionate focus on rule-based laws have led to much misrepresentation of financial information, fraudulent deceptions and taking advantage of legal loop holes. Consideration for ethical behavior is glaringly missing even in the accounting pyramid, which rests on the foundation of technical standards. (Satava et al., 2006) Creating laws that try to keep up with the latest ploys to deceive the general public and investors is a game of “cat and mouse” that fails to bring about any real change in the way individuals view their own role or public accounting in general. In Michael’s case, he thought the offer was misrepresented and created a poorly constructed motivating factor. It is important to note that if an auditor can use “independence” as a benchmark to gauge situations, some ethical dilemma can be handled appropriately. In all three cases, it was an individual’s values and principles that created the courage to recognize what was the appropriate ethical action to take even at the risk of their career and potential conflicts they may face with their superior.

SUMMARY

Neil was asked by a superior to misrepresent his identity on the phone with a bank in order to access information easily. Although he knew that his supervisor’s intentions were good and

the only objective he had was to save time, he sensed a conflict in the request. He decided to decline misrepresenting himself and persuaded his superior to allow extra time to be taken to get the information through proper channels.

It is probable that individuals in the same position as Susan and Joan may not recognize an ethical dilemma where, in fact, there is one and thus lose even the possibility of making the ethically sound decision. Susan, John and Lynn realized that the relationship between auditors and stakeholders could raise ethical dilemmas.

While Casey reported that strong ethical principles held by upper management steered employees to act in the same manner and thus minimized the risk of violating ethic laws, Jack reported his belief that strong consequences for unethical behavior motivated individuals to act ethically. Jack was working with a colleague who intentionally attempted to profit from confidential client information. The colleague was fired from his position as a consequence of his choice. Jack reflected on this event, reporting that it made him “more keenly aware” of his responsibilities.

Casey also cited his firm’s enforcement of high ethical standards as a key influence for ethical behavior in the company. The participant specifically mentioned that enforcement of the firm’s ethical standards included termination. As Stansbury and Barry (2007) stated, excessively stringent laws or rules can lead to the deterioration of an accountant’s ability and motivation to access their personal moral standards. Correspondingly, it is worth noting that Casey prefaced his belief that people act ethically due to strong consequences with a dismissive remark that placed the onus of making the ethical judgment on his superiors, stating “Ultimately, it is the responsibility of the engagement partner and manager to determine whether a potential adjustment is material.”

Jamie, in discussing the dilemma of how much detail to go into during an audit, recalled that stakeholders “depend on the transparency of the auditor with the questionable audit evidence.” Interestingly, Jamie went on to describe situations in which, due to

monetary and time constraints, an auditor must make decisions as to how much time must be spent in the evaluation of a difference between audit evidence and accounting for the transaction. Jamie relayed concerns for future subordinates not wrestling with these dilemmas when she moves into a management position.

Public accountants like Jamie are not only more capable of making ethically sound decisions, but are also inherently better at their profession since they focus on the beneficiaries of their work. Such accountants can also influence other colleagues to higher ethical standards that better guard the basis of public accounting. The desire to serve the stakeholders must be the central motivation for public accountants and must be kept at the forefront of their awareness.

Recognizing the importance of ethical principles is something that many of the conscientious respondents had in common. They remembered to protect copyrighted material, upheld employee/client relationships, and retained the best interest of stakeholders at all times. The people focused on in this study were aware of the rules and policies that were in place in their organizations and were also aware of the reasons why these rules and policies should be guarded.

IMPLICATIONS FOR EDUCATION

With all of the accounting legislation that has been passed, current legislation still fails to address many fundamental issues relating to existing or potential corporate scandals. Issues dealing with the ethical behavior and integrity of accounting professions are difficult, at best. If the accounting profession wishes to maintain high ethical standards, we need to address this topic in schools. Increasing the requirement for ethics and decision-making skills in the curriculum would help curtail unethical behavior before it occurs. As suggested by Abdolmohammadi, Fedorowicz and Davis, (2009) current accounting students hold increasingly lower levels of principles-based ethical reasoning than we have

seen in the past. Because of this change in our graduating accounting students, educational institutions should react by increasing the coverage of ethics education in the accounting curriculum. This belief is reflected in the calls for the inclusion of ethics in accounting education (AAA 1986; AACSB 1988; AECC 1990; AICPA, 1999).

Current ethics education must do what we know it is already capable of doing: help students to become sensitive to the ethical dilemmas they will encounter as professionals. Education is the common ground where students, researchers, educators and professionals can work together to improve the quality of public accounting and better serve the general public. Education has the potential to bridge the gap between the rhetoric of ethical philosophical meditations and the actual dilemmas faced by public accounting professionals. Professionals and stakeholders alike frequently face the challenge of ambiguity. Thus, each of these groups must come to terms with it and find ways to reach sound ethical judgments when confronted by it. For students and educators, a primary learning objective should be understanding and identifying ethical principles and guidelines, and, developing methods for dealing with potential ethical challenges as opposed to our current teaching method of analyzing case studies and determining the “right” answer. (Mantzke, Carnes and Tolhurst, 2005)

Educators should seek to develop curricula that empower students to embrace the ambiguity of ethical dilemmas and increase their awareness of potential traps for making unethical decisions. Ethics education classes must inform and exercise students’ ethical reasoning abilities by using an approach that incorporates both rules and principles to guide decision-making. However, by systematically enhancing awareness of the contextual scenarios surrounding many ethical dilemmas and by addressing a hypothetical moral problem, we may be able to incrementally enhance students’ responses to ethical and moral questions in real-world situations.

CONCLUSION

This paper reviewed existing literature on ethics in accounting as well as discussed the results of a survey of current public accounting professionals. The responses from the survey, combined with prior research, suggests that (a) sensitivity to ethical reasoning must be studied in schools; (b) ambiguity is an integral part of ethical dilemmas that must be embraced; (c) a connection to and primacy for stakeholders will have a positive effect on ethical decision-making; and, (d) ethics education classes must increase awareness of potential dilemmas and exercise students' ethical reasoning abilities by using an approach that incorporates both rules and principles to guide decision-making.

LIMITATIONS AND FURTHER RESEARCH

The respondents to the survey were limited to public accountants and only a few of the surveyed participants mentioned actual cases of breaches of ethics and laws, while none reported making unethical decisions. Further research could expand to other financial professionals and may fine-tune the survey so that respondents could feel more comfortable sharing the ethical dilemmas they witness in the work environment even if they themselves are involved in a wrongdoing.

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APPENDIX A

Respondent Profile

Gender	Male (47%)	Female (53%)			
Age	Mean (27.2)	Std.Dev. (7.9)			
Field of Accounting	Audit (55%)	Tax (32%)	Consulting (13%)		
Position	Associate (37%)	Senior Associate (22%)	Staff Accountant (15%)	Senior Accountant (19%)	Manager Director (7%)
Years of work experience	Mean (3.71)	Std.Dev. (2.49)			
Have you ever taken an ethics course?	Yes (84%)	No (16%)			

Note: The response is based on 30 respondents.

Profile of the Ten Respondents

	Age	Field of Accounting	Position	Years of work experience	Have you ever taken an ethics course?
Case1 (Joan)	23	Auditing	Associate	1	Yes
Case 2 (Lynn)	26	Auditing	Staff Accountant	4	Yes

Case 3 (John)	24	Auditing	Senior Accountant	3	Yes
Case 4 (Susan)	24	Auditing	Associate	1	No
Case 5 (Casey)	27	Auditing	Senior Associate	5	Yes
Case 6 (Jack)	22	Consulting	Associate	1	Yes
Case 7 (Jane)	21	Tax	Associate	1	Yes
Case 8 (Neil)	50	Tax	Senior Accountant	10	Yes
Case 9 (Michael)	22	Auditing	Associate	2	Yes
Case 10 (Jamie)	26	Auditing	Senior Accountant	4	Yes

APPENDIX B

Survey Instruments

Terms and Conditions:

I volunteer to participate in the research project on Ethical Dilemmas in Accounting conducted by the researchers for soliciting ethical dilemmas encountered in the accounting field by professionals. I understand that:

1. All participants in the project are volunteers;
2. I have been informed as to the nature of the study;
3. I will write an ethical case study on an experience that I have encountered;
4. I will type my response on a computer via an e-survey;
5. My time commitment is about 20 minutes.
6. I can withdraw at any time from and not complete the case study project;
7. If I experience any discomfort with any part of the project, either while writing the case study, during follow-up, or after the case study is completed, the researchers will be available to discuss my concern;

8. The information I provide will be confidential
9. Upon receipt of the case study any identifying information will be removed and the case will be assigned an identification number

Survey Questions

1. What is your age?
2. How many years have you been working in the accounting field? What is your current position? (Associate, Second year associate, Senior, Manager, etc.)
3. What field of accounting do you work in?
4. What is your gender?
5. Have you ever taken an ethics course?
6. If so, where did you take this course? (High school, college, other)
7. Please include how long the ethics course lasted.
8. In this space please relate any ethical dilemma you faced at work in your years of experience and how you went about addressing it. As you write, please include the following:
 - a. What exactly happened?
 - b. When did it occur and was it ongoing?
 - c. Where did problem take place?
 - d. What factors were in place or not in place that allowed this to happen?
 - e. Who was involved and who was aware of problem?
 - f. Why do you see this as an ethical dilemma? Exactly what were the values in conflict?
 - g. What steps did you take to confront it or to avoid it?
 - h. What was the result?
 - i. Reflection – looking back, what would you do differently? (If at all)
9. Is there anything else you would like to express?