

**A STUDY OF THE EFFECT OF AGE, GENDER, & GPA ON
THE ETHICAL BEHAVIOR OF ACCOUNTING
STUDENTS**

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Abstract

Continuing failures in the accounting profession have demonstrated a paucity of ethics at all levels. This has renewed discussions among accounting educators regarding their role in preparing accounting students to face ethical dilemmas in the accounting profession.

This study first measured accounting students' stated behavior by recording their responses to different scenarios on a Business Ethics Quiz. In a follow up experiment, these students' grades are temporarily changed and an opportunity given to them to report the grading error. The purpose of this study is to observe whether their actual conduct (Actual Behavior) is consistent with their Stated Behavior. The results of this research indicate that, when faced with an ethical dilemma, although accounting students may state they will make ethical choices, their "Stated Behavior" had no correlation to their "Actual Behavior." Additional findings indicate that accounting students' ethical

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choices are also not influenced by their age, gender, or GPA.

INTRODUCTION

A seemingly endless parade of corporate scandals at such firms as Enron, Tyco, MCI Worldcom, Arthur Andersen, AIG, Bernard L. Madoff Investment Securities, and countless mortgage brokerage houses have been a continuing cause for great and growing concern to those who teach business students. How did this happen? To what extent did a business school education affect such conduct, if at all? Can a student be taught business ethics? How do we prepare our students to help them avoid such obvious ethical lapses and the catastrophic economic consequences that come with them? As educators, these are among the questions that we ask ourselves.

In the struggle to improve the ethics of business students, and ultimately the ethical climate of business, business educators and others continue to conduct research to determine why and to what degree a business student cheats or otherwise makes unethical decisions. A number of studies have compared the ethical behavior of business students to non-business students, male to female students, traditional to non-traditional students, and graduate to undergraduate students. Such research has applied the Defining Issues Test (a component model of moral development) and the Personal Ethical Threshold test (measuring a student's susceptibility to situational pressure which makes immoral behavior more likely). In addition, research has attempted to determine the effect on decision-making of students' cultural demographics and personality variables, as well as the integrity culture of the students' institutions. The hope is that the more we understand, the better equipped we will be to bring about ethical conduct in school and in business.

Most of the corporate failures that have dominated our headlines were affected or enabled, at least to some degree, by the accounting functions at those firms, and their failure to detect,

deter or report accounting practices which were contrary to legal and ethical mandates. As a result, new laws were passed and a regulatory structure created to address such lapses - the Sarbanes-Oxley Act (SOX), and the Public Company Accounting Oversight Board (PCAOB).

The problem is complex. Every accountant, in the practice of his profession, must address and resolve ethical dilemmas on a regular basis. Accounting standards are not complete, and are not always consistent, and that ambiguity requires an accountant to apply her professional judgment to many issues for which there is often no single, ethically correct solution (Thorne 2000). This underlying condition provides the opportunity for the unwitting, the unwary or the unprincipled to judge wrongly. The accounting community now searches for answers to address the situation with increasing urgency.

While some accounting faculties are struggling to incorporate an increased ethics component into their curricula, others believe that ethics cannot be taught in the classroom. Even those who do believe that some principles of ethics can be learned in a college classroom have suspected that, following ethics instruction, students may learn to give the “correct” answer, and thereby learn to choose the ethical course of action. That fact, however, is no guarantee that students will actually carry out the ethical course of action when presented with a real-world choice.

In an effort to contribute to our understanding of the ethical decision-making of accounting students, this research was devised with several objectives: (1) to examine the ethical choices accounting students make when faced with an ethical dilemma in a controlled environment, (2) to examine whether accounting students make the choices they stated they would make when actually placed in a similar ethical dilemma, and (3) to determine whether age, gender, student status, and grade point average (GPA) are factors that influence ethical choices made by these students. To date, so far as we know, only one earlier study (Gupta, Cunningham, Arya, 2009) has examined whether business students’ stated ethical behavior matches their actual ethical

behavior. This study examines similar objectives with respect to a population of accounting students at an AACSB-accredited business college of a public university.

The remainder of this paper is organized as follows: the next section provides a review of prior research and develops the hypotheses to be tested in this study; the third section discusses the data collection and methodology used to test the hypotheses; the fourth section reports the descriptive statistics and the results; the fifth section draws conclusions, the sixth section describes limitations of the study and possible directions for future research; and the final section suggests implications of the research.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The two factors which most consistently predict behavior that is more ethical are gender and age (Comer & Vega, 2008; Ruckinski & Bauch, 2006; Peterson et al, 2001; Ruegger and King, 1992; Trevino, 1986). In 1992, Borowski and Ugras conducted a meta-analysis of 47 individual previous studies on gender and 35 previous studies on age which had been conducted between 1985 and 1994. Their meta-analysis found consistent links between female gender and ethical behavior, and older age and ethical behavior. Women formed ethical attitudes at a younger age, and were less influenced by outside factors than were men. In addition, as people age, studies show that their attitudes and behaviors become more ethical. But one recent study concluded that age played almost no role in ethical behavior in a study of moral reasoning in business managers (Forte, 2004). Nevertheless, we proceeded based on the great weight of research which leads to the conclusion that women will generally act more ethically than men, and older students will generally act more ethically than younger ones.

Studies attempting to measure whether business students are less ethical than non-business students have resulted in contradictory results. Some studies have concluded that business

students are less ethical than non-business students (Comer & Vega, 2008; Lopez, et al, 2005; O'Clock & Okleshen, 1993), and that this result crosses cultural lines (Ozdogan & Eser, 2007, Turkey; McGee & Guo, 2007, China; Peppas & Diskin, 2000, Australia; and Landry, et al, 2004, Hispanic students). Others have found inconclusive results (Beltramini, et al, 1984; Ford and Richardson, 1994). Because of this inconsistency, Borowski and Ugras (1998), who had conducted a meta-analysis of the effect of gender on ethical conduct also conducted a meta-analysis of those studies that had examined the effect of a business major as opposed to a non-business major on ethical conduct. Because their results were also inconclusive, they were unable to establish any causal relationship between a student's major and the student's ethical perceptions.

Other studies have attempted to compare majors within business to discern whether a student studying a particular major is inclined to act more or less ethically because of or in conjunction with the study of that major. The observation is made that business disciplines derive from differing sciences, e.g., management and marketing majors draw from the behavioral sciences, while finance and accounting draw from the quantitative sciences (Lopez, et al, 2005). The difference in derivation seems a likely source of differences in perceptions. For example, in one study, accountancy majors were found to have a greater ethical awareness as compared with other business majors (Cohen, et al, 1998), a result which may be explained by the fact that accountancy is a more rule-based discipline than, for example, marketing. However, Borowski & Ugras (1998) found no correlation between major and ethical perceptions. Others report no differences between accounting students and other students (Woolley & Eining, 2006).

An ethical problem particularly pertinent to accounting, namely, earnings management, has been the subject of several contradictory studies (Merchant & Rockness, 1994; Kaplan, 2001; Bruns & Merchant, 1990). In an effort to clarify the issue, Belski, et al, (2008), created a study in which the students' perceptions of the intent behind specific earnings management activities were

relevant to their perceptions of ethical behavior. The study distinguished between two treatment levels (1) individual intent, defined as opportunism, and (2) company intent, defined as efficient firm contracting. Business students (not just accounting students) were asked to respond to six hypothetical scenarios involving earnings management by determining whether or not the conduct shown was ethical. As to the managers who engaged in earnings management that was perceived as opportunistic or selfish, students deemed them to be less ethical than those whose earnings management behavior was designed to increase firm contracting efficiency.

Similarly, the context of accounting ethical dilemmas was shown to have affected accounting students' moral reasoning, according to Fleming, et al (2009). In that study, 101 accounting students at a large public AACSB-accredited business school in the U.S. were asked to predict how accountants would respond to four ethical dilemmas faced by either auditors or corporate accountants. The authors concluded that, as expected, students in the audit construct exhibited significantly higher deliberative moral reasoning than students in the corporate accounting construct, but that the accounting students' greater audit-based ethical knowledge structures did not transfer to resolving ethical issues in the corporate accounting context.

However, Fleming, et al, also reported that most ethics education in accounting takes place in the audit construct, and not in the corporate accounting construct. It is possible, then, that students simply do not apply what they perceived as "audit rules" to a corporate accounting situation. Significantly, too, students in the study were not asked what they would do, but rather, what others would do. Their perceptions of the conduct of others may not have been an accurate measure of their own moral development. Given the different functions and duties of corporate accountants and auditors, we posit the theory that the students' perceptions may have been largely context-driven.

Becker, et al, (2009), measured a sample of accounting students using the Ethic of Care (EOC) theory, which proposes that

ethical rules interact with situational variables in driving ethical decisions; that what one sees as an ethical action varies as one's frame of reference varies. (Consider, as an example, the case of a father who steals drugs to save his dying child.) The study investigated the influence of students' EOC levels on their attitudes toward cheating. A student who was helping a friend, or perceived that he was correcting an unjust grade, was more likely to cheat. Results from 172 undergraduate accounting majors indicated that the EOC was a significant factor in student beliefs about cheating, and that its impact existed separately from gender effects.

Consistent with the premise that factors other than ethical concerns may be at work in any given ethical decision, several studies have tested what happens when consumers are given too much change at the checkout counter (Steenhaut & Kenhove, 2005; Vitell, 2003; Muncy and Vitell, 1992). For the consumer, the question is, "Should I say something and return the money, or just keep it?" The studies concluded that the higher the degree of relationship commitment a consumer felt toward the subject retailer, the more likely she was to report the error. However, a significant number of consumers admitted to saying nothing, and keeping the extra money.

These studies, and others, had the goal of measuring the ethical conduct of the consumer (Chan, et al, 1998; Erffmeyer et al, 1999; Polonsky et al., 2001). One may hypothesize that if consumers were asked whether they would return excess change, the majority would report that they would return it; but a study would show that most would not. Their stated conduct would not predict their actual conduct.

The current study was created using a similar methodology, first, by asking students what they would do if over-compensated, and next, by testing that declaration. A Business Ethics Quiz (see Exhibit A) was administered in class, posing four hypothetical business scenarios, each posing an ethical dilemma, and asking students to choose a course of action. One of the hypothetical scenarios involved the payment of overcompensation. In the first step of our study, most students in our study selected the answer

which said they would report being over-compensated. Next, later in the semester, some students were told their grade on a project, then were temporarily given a higher grade than the one that was earned on that project, thus “over-compensating” them, and waiting to see if they would report the error. As a control, a similar number of students were told their grade on a project, then were temporarily given a lower grade than earned, thus “under-compensating” them. The extent to which the under-compensated students reported the error could then be compared to the rate of reporting of the students who were over-compensated. In this way, the study was created to measure whether a student’s stated ethical course of action would be his actual course of action.

The following hypotheses (stated in their alternative form) were tested:

- Hypothesis 1: Accounting students’ stated behavior will have no correlation to their actual behavior.
- Hypothesis 2: Accounting students whose grades are deflated will be more likely to report the error than students whose grades are inflated.
- Hypothesis 2a: The greater the amount of grade deflation, the more likely accounting students will be to report the error.
- Hypothesis 2b: The greater the amount of grade inflation, the less likely accounting students will be to report the error.
- Hypothesis 3: Accounting students with relatively high cumulative GPAs will be more likely to report an inflated grading error than students with relatively low cumulative GPAs.
- Hypothesis 4: Non-traditional accounting students will be more likely to report an inflated grading error than traditional accounting students.

Hypothesis 5: Female accounting students will be more likely to report an inflated grading error than male accounting students.

METHODOLOGY & DATA COLLECTION

Since the current research involves the use of temporary grade changes which are not part of normal instruction, Institutional Review Board (IRB) approval was obtained prior to data collection.

The first objective of this paper was to examine the ethical choices accounting students said they would make when faced with an ethical dilemma in a controlled environment. A Business Ethics Quiz (Exhibit A) was developed to measure students' "Stated Behavior." The Quiz contained four different business scenarios designed to measure ethical responses. Each posed an ethical dilemma which might be faced by business professionals, and asked students to state what their behavior would be if placed in that situation. In one scenario, each student was asked whether he would return compensation wrongly paid to him as an employee.

The Business Ethics Quiz was administered during the Fall semester of 2007, Spring semester of 2008, and Fall semester of 2008. In each semester, the Quiz was administered early in the semester. Students completing the Quiz were enrolled in the following courses: Principles of Financial Accounting, Principles of Managerial Accounting, and Cost Accounting. They were given approximately 10 minutes to complete the Quiz. Over those three semesters, a total of 124 students completed the quiz.

The second objective of this research was to examine whether students actually make the ethical choices they stated they would make when placed in a situation similar to the one on the Business Ethics Quiz for which they had previously stated their ethical choice. The second phase of the research, to measure students' "Actual Behavior," was implemented during the last two weeks of each semester. The time gap between the administration

of the Quiz (phase I) and the temporary grade inflation or deflation (Phase II) was intentional to avoid any connection in the students' minds between the Business Ethics Quiz and the grade inflation or deflation.

A random sample of students in each class for whom "Stated Behavior" was measured in the Business Ethics Quiz were given erroneous grades on a major assignment. The correct grades for that assignment had been communicated to these students before the erroneous grades were posted, so that the students would know that the posted grades were not correct.

Of the sample group which constituted about 40% of each class, half, or 20%, received inflated grades, and the other half received deflated grades. For each group of inflated or deflated grades, about half of the students (10% of subject students) were given a "substantial" grade inflation of 20% (i.e., for a grade of 70, a score of 84), and the other half were given a "nominal" grade inflation of 10% (i.e., for a grade of 70, a score of 77). Similarly, for those students whose grades were deflated, half of the sample was given a "substantial" grade deflation of 20% (i.e., for a grade of 70, a score of 56), and the other half was given a "nominal" grade deflation of 10% (i.e., for a grade of 70, a score of 63).

TABLE 1
Method of Inflation/Deflation

Error type	Sample size	Type of Error
Inflation	20% of students in class	1/2 - substantial inflation
		1/2 - nominal inflation
Deflation	20% of students in class	1/2 - substantial deflation
		1/2 - nominal deflation

Of the original sample of 124 students who completed the Business Ethics Quiz in phase 1 of the research, grades for 42 students were either inflated or deflated as indicated in Table 2.

TABLE 2
Descriptive Statistics

Respond	Grade Change (I=Inflate; D=Deflate)	Gender	Mean Age	Mean CGPA	N
N	D	F	21.00	3.14	1
		M	20.50	3.20	4
	I	F	24.27	3.10	11
		M	25.33	3.03	9

Respond	Grade Change (I=Inflate; D=Deflate)	Gender	Mean Age	Mean CGPA	N
Y	D	F	22.29	3.20	7
		M	25.83	2.97	6
	I	F	21.67	3.22	3
		M	20.00	3.13	1
Total					42

The following definitions were used for the variables contained in our research. The students' answers to question 3 of the Quiz became their "Stated Behavior." Question 3 asked whether the student would report and return compensation not earned. If the student selected choice of 'c' on question 3 of the Quiz, which stated that the student *would* report and return compensation not earned, that response was considered to be ethical. Any other response to that question was considered unethical.

"Actual Behavior" was considered to be ethical if a student reported an inflated or deflated grade to the instructor, and unethical if he did not. A non-traditional student was defined as being 25 years old or older. A "high" cumulative GPA was defined as a GPA of 3.0 or higher on a 4.0 scale.

For H1 and H2, ethical behavior was defined as ethical when the student reported the grade error regardless of its direction, up or down (n = 42). However, one could argue that even unethical students would report a grade deflation error. Ethical behavior is demonstrated when one reports a grade *inflation* error, something that is not in the student's self-interest. Therefore, all the remaining hypotheses are tested only on the sub-sample that experienced grade inflation errors (n = 24).

If students reported the grade not earned, and had predicted that they would return the compensation not earned, then their Actual Behavior would match their Stated Behavior. Students had an entire week or more to report the grade inflation to the professor.

This study's results are analyzed with the more precise *Fisher's exact test*, rather than with the standard chi-square test of independence. Fisher's exact test is defined as follows: "Fisher's exact test gives the exact probability of the occurrence of the observed frequencies, given the assumption of independence and the size of the marginal frequencies (row and column totals). . . . The null hypothesis tested with both the chi-square test and Fisher's exact test is that the observed frequencies or *frequencies more extreme* could occur by chance, given the fixed values of the row and column totals. For Fisher's exact test, the probability for each distribution of frequencies more extreme than those observed must therefore also be calculated, and the probabilities of all the more extreme sets are added to the probability of the observed set." (Dawson and Trapp, 2004, p. 153). For 2 x 2 classification tables, Fisher's exact test results should be used for analysis instead of the usual chi-square test of independence (O'Rourke, Hatcher, and Stepanski, 2005). Fisher's exact test is also recommended when small sample sizes are used (Dawson and Trapp, 2004). This is particularly so when the observed frequency in a cell is zero or when the expected frequencies are less than 5. The chi-square test is not valid in these cases (SAS Learning Module).

RESULTS

H1: Accounting students' stated behavior will have no correlation to their actual behavior.

This null hypothesis is supported (Fisher's Exact Test = 0.3061, p 'value = 1.0000, Table 3). Most students predicted on the Quiz that they would report an overpayment of compensation erroneously paid to them. This is their Stated Behavior. The Actual Behavior is whether the student whose grade is inflated reports the error to the instructor. If he does, his Actual Behavior is deemed ethical.

However, the results show that many students who stated that they would report overpayment of compensation did not report the grade inflation. Of those 34 students who stated they would behave ethically, 59% (20) did not. Although they predicted that they would behave ethically, when placed in a similar actual ethical dilemma, they did not act ethically. Their Actual Behavior did not match their Stated Behavior.

Ironically, some students predicted that they would *not* report an overpayment of compensation, and then did not report an inflated grade, consistently predicting that they would not act ethically. Of the 8 students who stated that they would not behave ethically, 63% (5) did not behave ethically. Although their "Actual Behavior" matched their "Stated Behavior," the behavior itself was not ethical. Perhaps some comfort can be taken in the observation that at least they were being honest.

TABLE 3
Stated Behavior Versus Actual Behavior

Stated Behavior	Respond		Total
	N	Y	
Frequency			
Percent			
Row Pct			
Col Pct			
Ethical	20	14	34
	47.62	33.33	80.95
	58.82	41.18	
	80.00	82.35	
Unethical	5	3	8
	11.90	7.14	19.05
	62.50	37.50	
	20.00	17.65	
Total	25	17	42
	59.52	40.48	100.00
Fisher's Exact Test		Table Probability (P)	0.3061
		Two-sided Pr <= P	1.0000

H2: Accounting students whose grades are deflated will be more likely to report the error than accounting students whose grades are inflated.

This hypothesis is supported. As Table 4 indicates, students are much more likely to ask for correction of their grades if their grades were deflated than if their grades were inflated. The difference is significant (Fisher's Exact Test = 0.0004, '*p*' value = 0.0004). A total of 42 students' grades were inflated or deflated (18 deflated and 24 inflated). Of those students whose grades were deflated, 72% (13) reported the error to the instructor. Of those

students whose grades were inflated, 17% (4) reported the error to the instructor.

TABLE 4
Deflated Versus Inflated Grades

Change	Respond		Total
	N	Y	
Deflated	5	13	18
	11.90	30.95	42.86
	27.78	72.22	
	20.00	76.47	
Inflated	20	4	24
	47.62	9.52	57.14
	83.33	16.67	
	80.00	23.53	
Total	25	17	42
	59.52	40.48	100.00
Fisher's Exact Test		Table Probability (P)	0.0004
		Two-sided Pr <= P	0.0004

H2a: The greater the amount of grade deflation, the more likely accounting students will be to report the error.

As Table 5 indicates, this hypothesis is not supported (Fisher's Exact Test = 0.4673, p 'value = 1.0000). A student's decision to report grade deflation is not affected by the degree of deflation. This result is not surprising, since once the student

notices deflation it is reasonable for him to report the error in order to improve his grade.

It is possible that this result may also have been a function of a student's academic grade at the time of this experiment. For example, a student with a grade of 71% may be more likely to report a 10% deflated error in grade because it lowers his grade from a C to a D. On the other hand, it is possible that a student with a grade of 99% might not report a 20% deflated error in grade reporting if the student perceives that it will not have an effect on the overall grade. We did not examine this in our research.

TABLE 5
Grade Deflation: Substantial Versus Nominal

Amount of Grade Deflation (Nominal=10%, Substantial=20%)	Respond		Total
	N	Y	
Frequency Percent Row Pct Col Pct			
Substantial	1 5.56 25.00 20.00	3 16.67 75.00 23.08	4 22.22
Nominal	4 22.22 28.57 80.00	10 55.56 71.43 76.92	14 77.78
Total	5 27.78	13 72.22	18 100.00
Fisher's Exact Test		Table Probability (P)	0.4673
		Two-sided Pr <= P	1.0000

The greater the amount of grade inflation, the less likely accounting students will be to report the error.

As Table 6 indicates, the results do not support this hypothesis (Fisher's Exact Test = 0.4037, '*p*'value = 1.0000). The students' decision to report grade inflation is not affected by the degree of inflation.

One possible interpretation is that even though the amount of grade inflation was substantial (20%), students did not think that it was material enough to result in a higher grade.

Interestingly, a small number of students (4 out of 24, see Table 2), whose average cumulative GPA was the highest in the sample, reported the grade inflation error. It is theoretically possible that these students were already earning an A in the course, so that inflation would not increase their grade. That being the case, there was no point in reporting it.

TABLE 6
Grade Inflation: Substantial Versus Nominal

Amount of Grade Inflation (Nominal=10%, Substantial=20%)	Respond		Total
	N	Y	
Frequency Percent Row Pct Col Pct			
Substantial	11 45.83 84.62 55.00	2 8.33 15.38 50.00	13 54.17
Nominal	9 37.50 81.82 45.00	2 8.33 18.18 50.00	11 45.83
Total	20 83.33	4 16.67	24 100.00
Fisher's Exact Test		Table Probability (P)	0.4037
		Two-sided Pr <= P	1.0000

H3: Accounting students with relatively high cumulative GPAs will be more likely to report an inflated grading error than students with relatively low cumulative GPAs.

As Table 7 indicates, this hypothesis is not supported (Fisher's Exact Test = 0.1285, ' p ' value = 0.2589), (although, see the reference above to the small number of students ((4 out of 24)) who did report an inflated grade). While one can understand why struggling students might be less likely to report an inflated grade, these results indicate that students with high GPAs are just as unlikely to report an inflated grade.

As stated above, one possible explanation is that reporting the inflation would not have changed the students' grades.

TABLE 7
Cumulative GPA: High Versus Low

CGPA H= if >2.99; L= if <=2.99	Respond		Total
	N	Y	
Frequency Percent Row Pct Col Pct			
High	11 45.83 73.33 55.00	4 16.67 26.67 100.00	15 62.50
Low	9 37.50 100.00 45.00	0 0.00 0.00 0.00	9 37.50
Total	20 83.33	4 16.67	24 100.00
Fisher's Exact Test		Table Probability (P)	0.1285
		Two-sided Pr <= P	0.2589

H4: Non-traditional accounting students will be more likely to report an inflated grading error than traditional accounting students.

As Table 8 indicates, there seems to be no difference between the reporting behavior of traditional and non-traditional students when their grades are inflated (Fisher's Exact Test = 0.4216, p 'value = 1.0000). Neither is likely to report grade inflation. Since non-traditional students have been defined as 25 or older, it appears that in this study, the age difference between

traditional and non-traditional students does not influence their ethical choices.

TABLE 8
Traditional Versus Nontraditional Students

Student Profile Nontraditional if ≥ 25 ; Traditional if < 25	Respond		Total
	N	Y	
Frequency Percent Row Pct Col Pct			
Nontraditional	7 29.17 87.50 35.00	1 4.17 12.50 25.00	8 33.33
Traditional	13 54.17 81.25 65.00	3 12.50 18.75 75.00	16 66.67
Total	20 83.33	4 16.67	24 100.00
Fisher's Exact Test		Table Probability (P)	0.4216
		Two-sided Pr $\leq P$	1.0000

H5: Female accounting students will be more likely to report an inflated grading error than male accounting students.

As Table 9 indicates, a significant finding of this study is that gender does *not* influence ethical behavior. (Fisher's Exact Test = 0.3426, 'p' value = 0.6146).

This finding is contrary to previous research which has concluded that the factor which most consistently predicts more ethical behavior is gender (Gupta et al, 2009; Comer & Vega, 2007; Ruckinski & Bauch, 2006; Peterson et al, 2001).

TABLE 9
Female Versus Male Students

Gender	Respond		Total
	N	Y	
Female	11 45.83 78.57 55.00	3 12.50 21.43 75.00	14 58.33
Male	9 37.50 90.00 45.00	1 4.17 10.00 25.00	10 41.67
Total	20 83.33	4 16.67	24 100.00
Fisher's Exact Test		Table Probability (P)	0.3426
		Two-sided Pr <= P	0.6146

SUMMARY AND CONCLUSIONS

Continuing failures in the corporate world have strongly demonstrated a paucity of business ethics at all levels. Those failures have renewed discussions among business educators regarding their role in preparing students to face ethical dilemmas in the corporate world, and also regarding the efficacy of ethics instruction as part of a business curriculum. There appears to be a conflicting opinion among educators regarding the latter. While some business faculties are struggling to incorporate an increased ethics component into their curricula under the belief that it would result in improved ethical behavior in the corporate world, others believe that ethics cannot be taught in the classroom. Fueling this debate is a recent incident at Duke University's Fuqua School of Business where nearly 10% of a first-year class was found guilty of cheating on a take-home final exam. This occurred in spite of the school's emphasis on ethical behavior.

In Phase I, this study measures accounting students' stated ethical response (Stated Behavior) by their responses to 4 different scenarios on a Business Ethics Quiz, one of which asks students what they would do if they were given compensation not rightfully earned by them. In Phase 2 of the study, these students' grades were randomly, temporarily, inflated or deflated, while the instructors waited to see whether they would report the grading error. The purpose was to observe whether their conduct (Actual Behavior) is consistent with their Stated Behavior. Most of the students whose grades were deflated reported the error, but most of the students whose grades were inflated did not report the error.

The results of this research indicate that, when faced with an ethical dilemma, although accounting students may state they will make ethical choices, their "Stated Behavior" had no correlation to their "Actual Behavior." Additional findings indicate that accounting students' ethical choices are not influenced by their gender, age, or grade point average.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

One limitation of this study is that student responses to the ethics quiz and their response to the inflation or deflation of grades might have been affected by the absence of any consequences of the actions taken by the students. An argument could be made that behavior may tend to be more ethical if there are negative consequences attached to unethical behavior. However, in this study, the students were not aware of any negative consequences for failing to report an inflated grade.

Another limitation of this study is that we did not control for the extent of ethics coverage by the instructors of the courses where the data were collected, or by ethics instruction in prior courses taken by these students. To do so would have required evaluating the kind, extent and quality of ethics instruction across the college, a daunting, perhaps impossible task. It is theoretically possible that the results of the study may have been affected by ethics instruction, either contemporaneous or prior to the current study. Whether student ethical behavior is influenced by the extent of exposure to ethical training is an important avenue of future research, and may provide some insight into the question of whether there should be an increased focus on ethics coverage in the business curriculum, and if so, what form it should take. In addition, if ethical training does result in more ethical conduct, corporations recruiting business students can more actively express a preference for students who have been trained in ethics and corporate responsibility.

Finally, it would be most helpful for researchers to distinguish between chronological “age” and “maturity” or “judgment.” It is possible that some age-related factor other than chronological age is at work in ethical decision-making.

IMPLICATIONS

The results of our study indicate that accounting students’ prediction of their ethical behavior is, for the most part, not carried out. This is consistent with our previous study in this series (Gupta,

Cunningham, Arya, in press). However, the literature tells us that for accounting students, other factors may also be at work.

Mintchik & Farmer (2009) investigated associations between moral reasoning and epistemological beliefs using a sample of 140 senior accounting students from a public university. The results of their study revealed that reflective thinking and moral reasoning represent separate dimensions of the cognitive process, each of which develops at a different pace. Moreover, according to their study, technical instruction in accounting skills did not automatically lead to higher reasoning skills. They concluded that a stand-alone course in ethics in accounting education was indicated in order to facilitate the necessary ethical development of the accounting student.

Similarly, the Fleming study, reported above, found that accounting students' greater audit-based ethical knowledge structures did not transfer to resolving ethical issues in the corporate accounting context. But it should not escape notice that the ethics education accounting students currently receive is predominately disseminated in the public accounting (i.e., audit) context (Kerr & Smith, 1995).

Business educators have long been familiar with the "silo learning" problem (Navarro, 2008), which is demonstrated by the fact that what students learn in one course is compartmentalized as relevant only to that course, and not easily applied to another topic in another course they study. This phenomenon is not confined to academia.

In 2008, following one of its periodic reviews of the accounting profession to determine the content and skill specifications to be tested on the uniform CPA exam, the Board of Governors of the American Institute of Certified Public Accountants (AICPA) recommended that the coverage of the topics of professional and legal responsibilities, including ethics, expand dramatically. Although it would appear that the AICPA has recognized the importance of ethics education, the skills and knowledge to be tested are "entirely legalistic and based on rules only applicable to auditors." (Verschoor, 2008, p. 21). Moreover,

the approach appears to be to limit the consideration of ethics to compliance with the audit rules, rather than to promote an ethical accounting environment in general.

As for those accounting students about to enter the profession, whatever their personal ethical values may be, they believe that a lack of ethics in accounting is damaging not only to the profession, but to society (Kerr & Smith, 1995). Even so, only half of the respondents in a poll of MBAs think their personal integrity is significantly relevant to corporate recruiters' evaluations of them as potential employees. (Verschoor, 2008, p. 61.) Given such a business climate, how can we expect accounting students to value ethical conduct in the practice of their chosen profession?

Only part of the problem lies with the accounting student. The other part lies with the environment of the profession as a whole. Those who have the most power to change that environment are educators and employers.

Educators can take steps to demonstrate the critical importance of ethics in accounting by giving students concrete, practical skills for dealing with the kinds of ethical problems they will almost certainly encounter in practice. Teaching the technical skills of accounting is not enough. What students need are case studies addressing ambiguous accounting situations, and practice problems presenting such dilemmas. These would help students acquire the tools they need to recognize and resolve ethical accounting problems.

Employers can express their preference for accountants who will practice their profession ethically, and then reward them for doing so. If employers hiring accountants advertised a preference for applicants who are able to demonstrate a knowledge of ethical conduct in accounting, the value of such conduct would rise, and its importance spread. These singular steps, taken by educators and employers, might well have a profound impact on the profession.

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