

**AN EMPIRICAL ANALYSIS OF STUDENT PERCEPTIONS
ABOUT SARBANES OXLEY MANDATES**

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Abstract

The AACSB International Ethics Task Force, formed in 2002, called for enhanced education across business school curricula with respect to the Sarbanes Oxley Act (SOX) of 2002. The study we have undertaken evaluates business students' perceptions relative to the impact and importance of SOX using an assessment process that compares accounting, finance, and management majors. A limited survey (26 items) was distributed to 179 upper-division students at an AACSB accredited business school in the Midwest during spring semester of 2007. T-tests for equality of means were used to compare the responses by major. Several statistically significant differences were identified across the subject majors. Accounting majors perceived SOX as one of the most important pieces of legislation for the accounting profession. Finance majors revealed a positive perception of SOX's impact, especially with respect to corporate transparency and investor confidence. Management majors exhibited the least positive perceptions of, and the least familiarity with, SOX. Overall, the

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students appeared to believe that despite the reported high costs associated with compliance, SOX has benefited financial statement users. Our results suggest that enhanced coverage of SOX in core business courses taken by all business majors is warranted.

Key Words: Sarbanes Oxley, Survey

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INTRODUCTION

Following the collapse of Enron, WorldCom, and other public companies because of the frauds perpetrated by their management and, to a lesser degree, the inaction of their outside accountants, Congress implemented substantive regulatory changes. These changes were enacted through passage of the Sarbanes-Oxley Act of 2002 (SOX) which was designed to make management more responsible for financial reporting and to provide investors with greater confidence in the published statements.

The Association to Advance Collegiate Schools of Business (AACSB), the preeminent accrediting agency of business schools, responded to the crisis in financial management by forming an International Ethics Task Force in late 2002. A significant recommendation of the task force was that all business school majors should have a thorough understanding of SOX (Fernandes, 2005). Such a recommendation serves to emphasize the clear intent of SOX – to ensure that all business people, not just those responsible for journal entries, statement preparation, and the auditing function, have a clear understanding and acceptance of their roles in developing and delivering accurate and informative data to the financial marketplace. Our results provide some

justification for such a call.

To measure the current level of awareness of students regarding SOX, we surveyed 179 upper-level accounting (104), finance (34), and management (41) students at a Midwestern University during the spring semester of 2007. The survey instrument collected demographic data and presented general statements relative to the students' perceptions of SOX in a Likert-scaled format. An assessment of the responses by major permitted us to develop general conclusions about the existing perceptions of this group of future business leaders. The outcomes provide a framework for the development of education experiences directed at satisfying the recommendations of the AACSB International Ethics Task Force relative to SOX. This paper offers a brief overview of SOX, a summary of the project research methodology and the results of a survey of business school majors regarding SOX. The paper concludes with a summary of this research effort and a discussion of some curricular implications.

PRIOR RESEARCH AND SOX OVERVIEW

According to Beier, a partner with Pricewaterhouse Coopers, internal control has traditionally received a lower priority from top management (Bisoux, 2005). He suggests that SOX has forced companies to understand the importance of controlling business processes; thus all employees now have some role in making the internal control processes effective. Additionally, "employees who have been made to understand that it's not all right to strike side deals with customers, to recognize revenue prematurely, to conceal possible conflicts of interest, or to look the other way when these types of activities are going on won't be busy circumventing the control system at every turn" (Wagner and Dittmar, 2006, p. 135). Beier makes a strong case for all business programs to cross disciplinary boundaries and strive to give a more complete picture of the whole corporate operation (Bisoux, 2005). He also suggests that all students need a broad understanding of business processes; therefore, business programs "must ensure that

students have a deeper appreciation of the details of business processes than they may have had before (p. 29).” Our survey results support Beier’s viewpoints.

SOX was intended to address many of the significant concerns relating to the scandals and the fraudulent financial reporting that took place within corporations such as Enron and WorldCom. Its scope is intentionally broad – the eleven titles address aspects of financial reporting and fraud transcending oversight processes within organizations, and criminal penalties. Title I addresses oversight concerns by establishing the Public Company Accounting Oversight Board (PCAOB). Its purpose is to oversee the auditing of public companies through the regulation of accounting firms. In this role, it is responsible for registering public accounting firms, establishing auditing standards, and promoting professional standards in the accounting firms. The PCAOB is also accountable for enforcing SOX, its rules and standards, and any securities laws that pertain to the preparation and issuing of audit reports (Baker et al. 2006).

In addition to providing public accounting firm oversight through the PCAOB, SOX provides new rules and regulations for auditors in Title II. This title prohibits a firm that is auditing a public company from providing services to a client that may inhibit the auditor’s independence and professional judgment. These services include, but are not limited to, bookkeeping, information system design, internal audit outsourcing, management functions, and investment services (Engel et al. 2007). The auditor must obtain approval from the client’s audit committee (established in Title III) to perform any services not specifically listed in the Act. This Title also promotes auditor independence by providing conflict-of-interest guidelines for the auditors assigned to an engagement (Hall, 2008). In addition to a prohibition of many non-audit activities, the title stipulates that an audit partner must rotate from a client every five years to increase his or her accountability and to encourage independent review.

Title III also seeks to promote auditor independence; however, this is done through regulation of the responsibilities of

the organizations requesting auditing services. Public corporations must, therefore, set up an audit committee composed of members of the board of directors that are independent from management. This independent committee is then responsible for the hiring, compensation, and oversight of registered public accounting firms (Gramling et al. 2004). Section 302 is targeted at encouraging and ensuring management's understanding and acceptance of its responsibility for financial statements. It requires the senior management team to certify that the financial statements are accurate in all material aspects. In addition, management must overtly and affirmatively accept its responsibility for internal controls and certify the effectiveness of important assurance procedures and processes. These significant requirements are individually and collectively intended to force management to take responsibility for the financial reports issued by an organization (Wagner and Dittmar, 2006).

The financial disclosures of Title IV are also meant to promote senior managerial responsibility. In direct response to the specific failures attributed to the scandals at Enron and WorldCom, Section 401 mandates disclosure of off-balance-sheet financing and special-purpose entities. These disclosures serve to require (and encourage) management to deliver a more realistic picture of the true financial position of a company. To further address the need for transparency, Title IV includes rules regarding disclosures of conflict-of-interest transactions, related-party transactions, audit committees, codes of ethics, current issues affecting the company, and enhanced reviews of these disclosures. Section 404, the most controversial segment of this title, requires management to state its responsibility for internal controls and to provide an evaluation of the effectiveness of the internal control structure and procedures (Hall, 2008).

Title V addresses the external environment that surrounds a company. It regulates security analysts by implementing regulations to make them more independent in both appearance and fact. Independence is sought through more stringent rules regarding the employment and compensation of analysts and

brokers while transparency is affected through new disclosure rules covering conflicts of interest. The regulations are intended to make analysts and researchers more independent and more trustworthy.

While the first five titles of SOX regulate financial disclosure and responsibility, the remaining titles deal with the authority for these regulations, studies on affected parties, and enforcement of the regulations. Titles VIII and XI revise legislation regarding corporate fraud; specifically, these titles expand its scope and provide stiffer penalties for offenders. Similarly, Title IX expands the scope of white-collar crime and implements higher penalties for offences. In general, these titles provide the framework for legal enforcement of the first five sections and, in some cases; they substantively increase the existing penalties for some crimes.

Some studies have offered empirical support for SOX having a positive impact on the U.S. market (Jain and Rezaee, 2006; Wagner and Dittmar 2006). Jain and Rezaee (2006) examine stock market returns using cross-sectional analysis and their results indicate that SOX has been effective in increasing investor confidence. SOX compliance has driven some companies to take a step beyond and gain ISO 9000 certification; documentation enabled them to find the similarities and allow them to more efficiently gain the certification (Wagner and Dittmar 2006). Additionally, because some investor rating services rate a company's internal controls in its overall report, a strong control environment can improve an organization's ratings and thereby reduce its cost of capital (Wagner and Dittmar 2006).

The academic research surrounding SOX can best be summarized (Leuz, 2007): "There is evidence that SOX has increased the scrutiny public firms face, as intended by Congress, and that this effect has produced certain benefits. But the net effects on firms or the U.S. economy remain unclear (Leuz, 2007, p. 164)."

Concurrently, the value of SOX has been questioned by many business people and academicians. The business press is replete with articles opposing SOX. At the individual firm level,

academic research has contended that the costs of SOX far exceed the benefits received by the entity (Parles et al. 2007; Ribstein, 2002; Romano, 2005). Publicly traded firms incur a substantial increase in technology costs, audit fees, and legal fees to comply with SOX (Nocera, 2005). These costs are exceptionally burdensome to small firms and foreign firms. Some believe the law is unclear (Montana, 2007) which serves to magnify the cost of compliance. Many believe some of these firms will withdraw from the market in response to SOX (Swartz, 2007).

Empirical evidence has been presented that supports the claim that the regulatory burden of SOX may be harming the United States capital markets (Engel et al. 2007). Zhang (2007) explains that SOX may impact a foreign firm's decision to trade on an American market. Engel et al. (2007) suggests that SOX impacts a firm's decision to go-private. The number of firms going-private has increased since the passage of SOX (Engel et al. 2007).

RESEARCH METHODOLOGY

A pilot process was utilized to confirm and enhance the survey instrument (Straub, 1989). Three academic experts were identified and requested to separately and individually review a preliminary version of the survey instrument. The experts were asked to provide commentary with regard to the form and content of each survey question and/or statement. Several minor potential issues were identified leading to revisions. The final survey instrument contained eight demographic questions and 18 Likert-scaled statements regarding SOX. The Likert-scale ranged from 1 to 5 with the lowest score indicating strong disagreement with the statement and the highest score denoting strong agreement with the statement.

Survey responses to the SOX statements were analyzed using t-tests for mean differences to assess if any significant differences existed between the three student groups. Levene's test for equality of variances, at significance levels of .05 and .10, was used to determine the appropriate T-statistic value. The resulting

T-statistic was utilized to decide whether to accept or reject the null hypothesis that the means are approximately equal (alternative hypothesis being that the means are not equal). Thus, if the T-statistic falls within the acceptance region, we conclude that the means are approximately equal and that there is no statistically significant difference between the perceptions of the two groups. Alternatively, if the T-statistic falls into the rejection region, we reject the null hypothesis and conclude that a significant difference exists between the means of the two groups.

RESULTS AND DISCUSSION

We administered the survey to 219 business students across all majors offered at the Business School. However, in this study, we only used the responses from 179 accounting, finance, and management majors, because each had more than 30 respondents. The remaining 40 responses came from multiple majors such as marketing, economics, human resources, and health services administration with too few responses from each of these majors. Also, not all of the respondents answered every question which led to a slight disparity between questions. Demographic information is presented in Table 1. Of the relevant respondents, 108 (60.67%) identified themselves as males and 70 (39.33%) identified themselves as females. They also varied in age, from 18-24 (81.56%) to over 43 (2.79%), and across states, with most students hailing from South Dakota (68.16%) and Iowa (16.76%). The population of students' hometowns ranged from less than 10,000 (47.49%) to over 100,000 (25.7%). Students were also asked to classify themselves as traditional (77.65%) or non-traditional (22.35%) and competitive (49.72%) or relaxed and easy-going (50.28%). Many of the above results quite fairly represent the overall make-up of the Midwestern University; however, we surveyed more accounting students, including graduate students, to obtain a better understanding of their perceptions of SOX. Thus, 104 Accounting majors made up 58.1% of the respondents, while the rest of the respondents indicated that they were Management

(22.91%) or Finance (18.99%) majors.

Table 1
Respondent Demographic Information

	Number	Percentage
<i>Gender</i>		
Male	108	60.67%
Female	70	39.33%
TOTAL	178	100.00%
<i>Age</i>		
18-24	146	81.56%
25-30	26	14.53%
31-36	0	0.00%
37-42	2	1.12%
Over 43	5	2.79%
TOTAL	179	100.00%
<i>State</i>		
SD	122	68.16%
MN	6	3.35%
IA	30	16.76%
NA	7	3.91%
Other	14	7.82%
TOTAL	179	100.00%
<i>Hometown</i>		
Less than 10,000	85	47.49%
10,001-50,000	36	20.11%
50,001-100,000	12	6.70%
Over 100,000	46	25.70%
TOTAL	179	100.00%
<i>Major</i>		
Acct	104	58.10%
Mgmt	41	22.91%
Finance	34	18.99%
TOTAL	179	100.00%

Student Classification

Traditional	139	77.65%
Non-traditional	40	22.35%
TOTAL	179	100.00%

Personality

Competitive	88	49.72%
Easy-going	89	50.28%
TOTAL	177	100.00%

Perceptions of Accounting vis-à-vis Management Majors

The results for the comparison between accounting and management majors are reported in Table 2. Three statistically significant differences occur at the $p < .05$ testing level. First, for the statement about SOX having a large financial impact on public companies, accounting majors evidence greater agreement when compared to management majors (mean of 4.06 vs. 3.73, T-statistic=2.207). It may be that accounting majors are more acutely aware of the costs associated with implementation of SOX requirements. Second, a statistically significant difference exists between accounting and management majors for the statement concerning changes in accounting practices in U.S. companies; management majors indicate greater agreement with the statement than accounting majors (mean of 4.15 vs. 3.89, T-statistic=1.979). This response is interesting as it may indicate a naivety among management majors about the impact SOX has had on accounting practices for US corporations. Third, a substantive difference is evident between accounting and management majors regarding the significance of SOX for the accounting profession (mean of 3.86 vs. 3.44, T-statistic=2.992). This finding may indicate a heightened awareness of SOX as accounting professors stress the importance of SOX on the profession in upper-level accounting courses.

Six statistically significant differences are found at the $p < .10$ testing level. Accounting majors agreed more with the

statement that SOX has transformed corporate governance for the better (mean of 3.60 vs. 3.56, T-statistic=1.796) and increased investor confidence in the financial statements (mean of 3.74 vs. 3.48, T-statistic=1.899). These two items are in the anticipated direction and imply that accounting majors view SOX impacts in a positive light. Accounting majors indicated greater agreement with the statement that liabilities of management and auditors have increased because of SOX (mean of 4.11 vs. 3.83, T-statistic=1.833) and believe more strongly that SOX has increased auditor independence (mean of 3.50 vs. 3.28, T-statistic=1.694). These findings would seem to indicate that accounting majors have faith in the future of the auditing profession. Accounting majors reveal a slight belief that the implementation costs for SOX will be reduced in the future, more so than management majors (mean of 3.41 vs. 3.15, T-statistic=1.942). This difference is likely a result of accounting majors' heightened exposure to Sarbanes-Oxley in their higher-level accounting classes. The low means for this statement may indicate a heightened disagreement or more uncertainty regarding the statement. Finally, accounting majors believe more strongly (mean of 3.40 vs. 3.10, T-statistic=1.736) that the lack of significant financial failures since 2002 is a direct result of SOX. It is satisfying to note that the accounting majors associate SOX with a key success in the stock market – the absence of another Enron or WorldCom since 2002.

Table 2
Equality of Means: Accounting Vs. Management Major

	Acct	Mgmt	T-Statistic
SOX has benefited investors by increasing corporate transparency.	3.84	3.63	1.572
Investors have responded positively to SOX implementation and reforms.	3.63	3.41	1.604
SOX has had a large financial impact on public companies.	4.06	3.73	2.207**
Compliance with Section 404 of SOX has benefited companies beyond ensuring continued access to public capital.	3.41	3.3	0.829
The liability of auditors and management has been increased by SOX.	4.11	3.83	1.833*
SOX has resulted in large changes to corporate governance.	3.91	3.73	1.24
The audit rotation requirements in SOX have made auditors more independent.	3.5	3.28	1.694*
SOX has changed accounting practices in U.S. companies.	3.89	4.15	1.979**
Corporate accounting has become more conservative because of SOX.	3.58	3.59	-0.088
The compliance costs associated with Sarbanes-Oxley have been greater than estimated.	3.38	3.38	-0.082
The harsh punishments that CEOs face under SOX are a good deterrent to falsifying financial disclosures.	3.84	3.68	0.954
SOX has greatly increased the fee revenues for accounting firms.	3.48	3.28	1.5
The implementation costs of SOX will be reduced in the future.	3.41	3.15	1.942*
The lack of significant financial failures since 2002 is a key result of SOX.	3.4	3.1	1.736*
SOX is the most important legislation for the accounting profession since the 1930s.	3.86	3.44	2.922**

SOX has transformed corporate governance for the better.	3.8	3.56	1.796*
SOX restored investor confidence in financial statements.	3.74	3.48	1.899*
All business corporations need a strong code of ethics.	4.53	4.66	-0.928

* denotes significance at $p < 0.10$

** denotes significance at $p < 0.05$

Legend: SD = 1 D = 2 N = 3 A = 4 SA = 5

Perceptions of Finance vis-à-vis Management majors

The results for the comparison between finance and management majors are reported in Table 3. Six statistically significant differences exist at the $p < .05$ testing level. First, finance majors agree more with the statement that SOX has benefited investors by increasing corporate transparency (mean of 4.00 vs. 3.63, T-statistic=2.434). Second, finance majors indicate a stronger agreement than management majors with the statement that SOX has increased the liability of auditors and management (mean of 4.26 vs. 3.83, T-statistic=2.523). This perceived increase in liability may lead them to conclude that SOX has made management willing to increase corporate transparency and financial disclosure and made management and auditors more conscientious of the necessity for reliable financial information. Third, finance majors evidence stronger agreement with the statement that the harsh punishments that CEO's face under SOX are a good deterrent that can prevent the falsification of financial disclosures (mean of 4.15 vs. 3.68, T-statistic=2.391). Fourth, finance majors believe more strongly (mean of 3.50 vs. 3.10, T-statistic=2.098) that the lack of significant financial failures since 2002 is a key result of SOX. Like accounting majors, finance majors also associate SOX with an important success in the investment world – absence of another Enron or WorldCom since 2002. Finally, finance majors indicate a stronger agreement that SOX has transformed corporate governance for the better (mean of

4.06 vs. 3.56, T-statistic=2.976) and increased investor confidence in the financial statements (mean of 3.94 vs. 3.48, T-statistic=2.914). These are significant insights because of the implications they contain; if finance majors, who will become the major users of financial statements, do not believe that SOX has increased corporate transparency or benefited investors, they will have less confidence in the financial statements. This decreased confidence in financial statements and corporate transparency can only serve to decrease investor confidence. This could result in a decrease in the amount of capital that the public is willing to invest in the U.S. markets which would lead to an increase in the cost of capital for U.S. companies and hence decrease their profitability. Therefore, increased confidence in SOX by finance majors bodes well for how the legislation has impacted the finance community, its perceptions of corporate financial disclosure, and U.S. capital markets.

Two statistically significant differences exist at the $p < .10$ testing level. First, finance majors evidence slightly more belief that investors have responded positively to SOX reforms and implementations (mean of 3.71 vs. 3.41, T-statistic=1.718). Second, finance majors indicate stronger agreement with the statement that SOX has had a large financial impact on public companies (mean of 4.03 vs. 3.73, T-statistic=1.672). This result is not surprising in that finance majors seem more knowledgeable than management majors about costs and benefits associated with SOX implementation.

Table 3
Equality of Means: Finance vs. Management Major

	Finance	Mgmt	T-Statistic
SOX has benefited investors by increasing corporate transparency.	4	3.63	2.434**
Investors have responded positively to SOX implementation and reforms.	3.71	3.41	1.718*
SOX has had a large financial impact on public companies.	4.03	3.73	1.672*
Compliance with Section 404 of SOX has benefited companies beyond ensuring continued access to public capital.	3.3	3.3	0.022
The liability of auditors and management has been increased by SOX.	4.26	3.83	2.523**
SOX has resulted in large changes to corporate governance.	3.97	3.73	1.446
The audit rotation requirements in SOX have made auditors more independent.	3.45	3.28	1.041
SOX has changed accounting practices in U.S. companies.	3.85	4.15	-1.641
Corporate accounting has become more conservative because of SOX.	3.32	3.59	-1.537
The compliance costs associated with SOX have been greater than estimated.	3.59	3.38	1.264
The harsh punishments that CEOs face under Sarbanes-Oxley are a good deterrent to falsifying financial disclosures.	4.15	3.68	2.391**
SOX has greatly increased the fee revenues for accounting firms.	3.42	3.28	0.945
The implementation costs of SOX will be reduced in the future.	3.15	3.15	0.01
The lack of significant financial failures since 2002 is a key result of SOX.	3.5	3.1	2.098**

SOX is the most important legislation for the accounting profession since the 1930s.	3.3	3.44	-0.799
SOX has transformed corporate governance for the better.	4.06	3.56	2.976**
SOX restored investor confidence in financial statements.	3.94	3.48	2.914**
All business corporations need a strong code of ethics.	4.74	4.66	0.556

* denotes significance at $p < 0.10$

** denotes significance at $p < 0.05$

Legend: SD = 1 D = 2 N = 3 A = 4 SA = 5

Perceptions of Accounting vis-à-vis Finance Majors

The results for the comparison between accounting and finance majors are reported in Table 4. Two statistically significant differences exist at the $p < .05$ testing level. First, accounting majors indicated a higher level of agreement, when compared to finance majors, with the statement that the Sarbanes-Oxley Act is the most important legislation for the accounting profession since the 1930s (mean of 3.86 vs. 3.30, T-statistic=3.537). This result seems to indicate that accounting majors are well aware of the impact of SOX on the accounting profession. Second, for the statement about SOX having transformed corporate governance for the better, finance majors evidenced greater agreement when compared to accounting majors (mean of 3.80 vs. 4.06, T-statistic= -2.040). These two differences may indicate that finance majors perceive that SOX affects corporate governance and investors more than it affects the accounting profession.

Three statistically significant differences occur at the $p < .10$ testing level. Accounting majors, as compared to finance majors, believed that implementation costs of Sarbanes-Oxley will be reduced in the future (mean of 3.41 vs. 3.15, T-statistic=-1.895). This response indicates a heightened awareness of SOX as well as a better understanding of internal control. Finance majors agreed more with the statement that the harsh punishments that CEOs face under Sarbanes-Oxley are a good deterrent to falsifying financial disclosures (mean of 3.84 vs. 4.15, T-statistic=-1.927). These findings may indicate that finance majors, who will become the major users of financial statements, possess a high level of confidence in SOX; this bodes well for how the legislation has impacted the finance community, its perceptions of corporate financial disclosure, and U.S. capital markets. Finance majors also agreed more strongly with the statement that all business corporations need a strong code of ethics (mean of 4.53 vs. 4.74,

T-statistic= -1.759). This may result from a perception of accountants and auditors as ethical businesspersons who must perform according to the FASB and PCAOB guidelines. Accounting students may feel that these guidelines preempt the necessity of codes of ethics.

Table 4

Equality of Means: Accounting vs. Finance Major

	Acct	Finance	T-Statistic
SOX has benefited investors by increasing corporate transparency.	3.84	4	-1.223
Investors have responded positively to SOX implementation and reforms.	3.63	3.71	-0.581
SOX has had a large financial impact on public companies.	4.06	4.03	0.193
Compliance with Section 404 of SOX has benefited companies beyond ensuring continued access to public capital.	3.41	3.3	0.857
The liability of auditors and management has been increased by SOX.	4.11	4.26	-1.021
SOX has resulted in large changes to corporate governance.	3.91	3.97	-0.458
The audit rotation requirements in SOX have made auditors more independent.	3.5	3.45	0.317
SOX has changed accounting practices in U.S. companies.	3.89	3.85	0.173
Corporate accounting has become more conservative because of SOX.	3.58	3.32	1.521
The compliance costs associated with SOX have been greater than estimated.	3.38	3.59	-1.375
The harsh punishments that CEOs face under SOX are a good deterrent to falsifying financial disclosures.	3.84	4.15	-1.927*

SOX has greatly increased the fee revenues for accounting firms.	3.48	3.42	0.382
The implementation costs of SOX will be reduced in the future.	3.41	3.15	1.895*
The lack of significant financial failures since 2002 is a key result of SOX.	3.4	3.5	-0.586
The SOX Act is the most important legislation for the accounting profession since the 1930s.	3.86	3.3	3.537**
SOX has transformed corporate governance for the better.	3.8	4.06	-2.040**
SOX has restored investor confidence in financial statements.	3.74	3.94	-1.46
All business corporations need a strong code of ethics.	4.53	4.74	-1.759*

* denotes significance at $p < 0.10$

** denotes significance at $p < 0.05$

Legend: SD = 1 D = 2 N = 3 A = 4 SA = 5

SUMMARY AND IMPLICATIONS

Sarbanes-Oxley has had a large impact on most of the U.S. financial market stakeholders: auditors, public companies, investors, and management professionals. Although the effects of the legislation are of great concern to many within the business community, business student perceptions are also important because they provide perspective on how future business persons will likely react to, and interact with, SOX-type legislation while assisting in defining their educational needs. A limited survey was distributed to 179 upper-division students at an accredited business school during spring semester of 2007. T-tests for equality of means were used to compare the responses by major. Accounting majors perceived SOX as one of the most important pieces of legislation for the accounting profession. Finance majors revealed

a positive perception of SOX's impact, especially with respect to corporate transparency and investor confidence. Management majors exhibited the least positive perceptions of, and the least familiarity with, SOX. Several statistically significant differences were found across the subject majors.

Bostelman, an expert on SOX, suggests that all business managers need a better background in accounting than they needed before codification of SOX (Bisoux, 2005). This is because top management is more accountable under SOX and all managers face added risk under the legislation. Even if students do not work in a public company, "organizations not directly affected by such regulation sometimes also have to comply because a customer who is impacted by such regulation requires its suppliers to demonstrate a similar degree of internal control mandated by SOX" (Pinder, 2006, p. 32). Hence, all business majors must have some grounding in SOX and the required internal control processes.

An understanding of students' current perceptions, which we have quantified through our survey, can help educators in the development of pedagogical experiences that will serve to provide the students with an informed understanding of the history and context of these types of legislative interventions. A few potential areas of exploration with respect to business curriculum changes are suggested by the survey results. Specifically, the findings suggest a need to strengthen the SOX coverage for all business students – in agreement with AACSB's suggestion that it is essential for all business majors to know SOX. Business faculty members have several options available to increase SOX coverage. They can add a chapter or two on SOX to the legal environment of business class, which is a required course in the undergraduate curriculum. Additionally, they could place increased emphasis on SOX concepts in principles of accounting. Faculty may consider adding a real-life case study on SOX in principles of accounting or principles of finance. SOX concepts could also be included in the business policy and strategy class (which is also required of all business majors). In general, it appears that our students, specifically non-accounting and non-finance students would

benefit from increased coverage of SOX concepts in one or more of the required courses. As Bisoux (2005) stated:

“This new order means that all business students — not just accounting majors — will need some knowledge of Section 404-based internal controls and financial reporting. Sarbanes-Oxley may gradually require students to expand their learning to include fields they once might have considered on the periphery of their education. Accounting students, for example, may need to know more about finance, business processes, and management; management students may need to know more about IT; and students in IT and other disciplines may need to know more about accounting (p.28).”

This study suffers from the normal limitations generally associated with survey research. Specifically, the survey data used in this study came from one Midwestern University. This University is located in a small town, in a rural setting. As such, care must be exercised in generalizing the results. Whether these results will apply to large universities located in urban settings is an empirical question. External validity can be enhanced through additional investigations employing the same research questions at other universities.

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