

THE EFFECTIVENESS OF CURRICULUM CHANGE ON THE MORAL REASONING ABILITY OF RECENT ACCOUNTING GRADUATES

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Abstract

The accounting profession and its related curriculum have experienced major changes in the past two decades. The adoption of the 150-hour rule by many states (extending the academic preparation of accounting majors by more than one additional semester), the advances in the use of technology, the entrepreneurial efforts of CPA firms in management consulting and other services, and the recent ethical challenges to the profession are but four areas that have driven curricular change. This paper examines the effectiveness of past curricular change on the moral reasoning ability of recent accounting graduates as measured by the Defining Issues Test (DIT).

INTRODUCTION

The past two decades have posed significant challenges to accounting programs across the United States. State after state has yielded to the American Institute of Certified Public Accountants (AICPA) 150 hour promulgation forcing the academy to respond accordingly. The financial debacles and accounting frauds of recent years have exerted additional pressure on the curriculum to strengthen ethics education in the preparation of accounting graduates. This paper examines the effect of these changes upon the reasoned ethical choices made by comparing recent accounting graduate moral reasoning ability to that of previous graduates.

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BACKGROUND

The regulatory and curricular impacts experienced in the late 80s and throughout the 90s were a culmination of earlier actions by several professional and rule making bodies, the most significant of which have been the AICPA, the American Accounting Association (AAA), the National Association of State Boards of Accountancy (NASBA), the “Big” CPA firms, the National Association of Accountants (NAA)/Institute of Management Accountants (IMA) and other professional accounting organizations. Each group has required or exerted influence on curricular change through lobbying efforts, manifestos, commissioned study or regulatory requirements.

Curriculum debate occurred in the 60s resulting in the formation of a Committee on Education and Experience Requirements of CPAs by the AICPA. The committee report led to a recommendation for increased educational requirements for CPAs (1969). In the late 70s and early 80s debate led an AICPA Commission to report that: “...a baccalaureate accounting program is no longer... adequate...” (1983). The AAA published a committee report on the accounting curriculum entitled “A Restatement of Matters Relating to Educational Policy” (1968) reflecting the curricular views of the academy. After several years of continued debate on the accounting curriculum the AAA established a committee to examine the apparent expanding needs of the profession in 1986. The “Bedford Committee” identified that accounting services were “...becoming both broader and more specialized.” Concluding that traditional lecture-based teaching was not preparing for roles where “Creativity and innovation are increasingly required to meet the changing demands of an internationally competitive world.” (page 22).

Following the Savings and Loan collapses of the 80s the then “Big Eight” accounting firms (BE) released a paper leading to the establishment of the Accounting Education Change Commission (AECC) by the AAA. The AECC had the following charge:

The Commission shall act as a forum for the identification, examination, and discussion of issues related to the education of accountants. The Commission shall seek to identify the interests, concerns, and priorities of the most relevant stakeholders regarding the education of accountants and prospective changes thereto. The Commission shall act as a catalyst for the cultivation of consensus and promotion of actions among the various stakeholders in the reengineering of the education of accountants. (BE, page 5)

The subsequent report issued by the Commission iterated the firm belief that "...passing the CPA exam should not be the goal of accounting education." Further, the report stated that accounting programs should "...prepare students to begin and develop in a wide range of professional accounting careers." (1989). One significant effort of the AECC was funding curriculum change in select two year and four-year colleges and universities under the assumption that the curriculum was broke and needed to be fixed.

Public accounting was not alone in the call for curricular reform. The IMA then NAA issued reports in both 1986 and 1988 outlining a common body of knowledge for careers in management accounting. More recently the IMA has represented the corporate accounting environment in criticizing the accounting curriculum, calling it out of step with the needs of corporate America. Gary Siegel notes that "For decades, most college and university accounting programs were geared toward preparing students for careers in public accounting." (1999, page 1). Further, that the CPA certification is "...viewed by students and their parents... as the *Holy Grail* of an accounting education." (page 1). The Financial Executives Institute with the cooperation of the IMA conducted research in 1994 to examine the entry level skills of accountants desired by corporate America. This research concluded that there existed significant gaps between the curriculum of accounting

programs and corporate desires for entry level skills of accounting graduates (Siegel and Sorensen, 1994).

In 1995 the IMA conducted another research study on the changing role of management accounting. The "Practice Analysis of Management Accounting" indicated that management accountants were "...devoting increasing amounts of time to their new role as analyst, consultant, and business partner." (Siegel and Kulesza, 1996, page 28). Further research reflected that the changes identified were occurring at an accelerated rate (Siegel, Kulesza and Sorensen, 1997, page 47). The identified shift of the role of management accountants into consulting and analysis was confirmed in the 1999 Practice Analysis of Management Accounting noting that these new roles were a result of "...technological advances... (liberating) them from the mechanical aspects of accounting." (Siegel and Sorensen, page 3).

The correctness of the accounting curriculum has also been challenged by the American Assembly of Collegiate Schools of Business (Porter and McKibbin, 1988), the Association of Government Accountants (Fox 1981) and the Institute of Internal Auditors (Barrett, et. al. 1985). Clearly, the accounting curriculum has been challenged by nearly every major professional accounting organization resulting in recommendations for tailoring to the specific needs of each professional body.

In addition to the appeals of the professional accounting bodies, the demise of Arthur Andersen, World-com, and scandal at Tyco has posed a significant challenge to the stature of the accounting profession and questioned the integrity of accountants. The financial "Perfect Storm" of Enron and Worldcom have led "Critics in the media, Congress and elsewhere..." to "...call into question...the integrity of ..." the accounting profession. (Thomas, 2002) Still others have called actions of the auditors or accountants as "unethical," violating the ethical code of the American Institute of Certified Public Accountants (AICPA) or Institute of Management Accountants (IMA).

President George W. Bush (2002), in a speech in Manhattan said "...America's greatest economic need is higher ethical standards." He went further to add that there was a need for a new

“...era of integrity in corporate America.” The “Integrity” foundation of the accounting profession has been shaken, now surfaces yet another call for an even greater curricular emphasis on ethics and integrity.

The majority of calls for curricular reform have included ethics as a key component in the training of new members of the profession. The concept of ethics in accounting relates to accounting’s standing as a “profession.” For the profession to survive it must have standards by which all members function. When accountants practice in compliance with the professional standards, a transparency of financial reporting exists warranting the “public trust” granted by consumers of financial information.

PREVIOUS RESEARCH

The guiding document for resolving ethical dilemmas in accounting lies in the Code of Professional Conduct (2000). However, when confronted with dilemmas that differ from those described in the code and other professional resources, the accountant is left to employ their own moral reasoning ability in arriving at a solution. Moral reasoning ability varies from individual to individual and has been the topic of numerous studies. Several of the research projects have been specifically designed to examine the moral reasoning ability of accountants. Armstrong (1987) utilized the Defining Issues Test to examine the moral reasoning ability of accounting students and found that accounting students scored lower in ethical reasoning than students in other majors. Ponemon (1990) found that moral judgment scores of practicing accountants decreased as position and authority increased within public accounting firms. Ponemon’s finding of lower moral judgment scores at the manager/partner level in the public accounting firm was confirmed by Shaub (1994). Shaub employed the DIT to examine the ethical sensitivity of CPAs practicing in Midwest Big-Six accounting firms.

Lampe and Finn (1992) also employed the DIT in examining the moral reasoning ability of accounting students and practitioners. They found that both accounting students and accounting

practitioners scored lower on the DIT than college-aged students, college-educated adults and individuals in other professions.

Although several previous studies on ethical decision making utilizing the DIT have reflected lower DIT scores for accounting students and CPAs, a few studies have reflected higher DIT scores for accounting students than students in other majors. Jeffrey (1993) found accounting students to have higher DIT scores than either business majors or liberal arts majors at the same university. Additionally, Icerman et. al. (1991) in examining a cross section of majors found accounting majors to have higher DIT scores than majors in other areas.

Prior research has generally reflected lower DIT scores for students graduating in accounting. These findings accompanied with the various calls for higher ethical standards and integrity initiated reform of the accounting curriculum. Accounting majors, model curriculums, and study guides for the CPA examination have all integrated ethics as a component of the training necessary for entering the accounting profession.

This study was conducted to provide a cursory answer to the following question: Have the revisions in accounting curriculums, made by the academy in response to professional calls to reform, had a positive impact on the moral reasoning ability of accounting graduates entering public practice.

PROCEDURES, FINDINGS AND CONCLUSIONS

In order to assess whether or not there has been a positive change in the moral reasoning ability of accounting graduates, this study restricted its subjects to CPAs having graduated within the past four years. Restricting the sample to a group of "recent" graduates provided assurance of minimal change in the subject reasoning ability due to socialization in the accounting firm and that the educational training was obtain from a "current" curriculum. Twenty recent graduate CPAs were randomly selected from a comprehensive list of CPAs in Southwest Missouri. Table 1 reflects various demographic information of the sample.

Table 1
Demographics of the Sample

<i>Characteristic</i>	<i>Number</i>
Graduation Year	
2000	3
2001	3
2002	10
2003	4
Total	20
Gender	
Male	4
Female	16
Total	20

The Defining Issues Test version one was employed to obtain a measure of the moral reasoning ability of the recent graduates. The DIT presents a moral dilemma cases and requires the subject to rank 12 items on “level of importance” to each separate case. When responses are evaluated a P-score (Principled Score ranging from 0 to .95) is calculated indicating the level of moral judgment development of the subject. Descriptive statistics related to the p-scores of the sample are presented in Table 2.

Table 2
Descriptive Statistics of the DIT P-Score

P Score	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std Dev</i>
	11.7	50.0	35.7	11.9

The mean DIT in this study was 35.7 and is presented along with the results of previous studies of accountants in public practice in Table 3.

Table 3
Previous Studies of Accountants in Public Practice

<i>Study/Year</i>	<i>Subjects</i>	<i>Mean DIT</i>
Armstrong (1987)	General Sample of Public Accountants	38.1
Ponemon and Glazer (1990)	Accountants with Liberal Arts Education	47.7
Shaub (1993)	First-year Staff Accountants	41.0
Shaub (1993)	Third-year Staff Accountants	43.6
Shaub (1993)	Senior-level male Accountants	35.6
Current Study	CPAs Graduated in the past four years	35.7

As can be seen in Table 3, the three previous studies covering five distinct segments reported mean DIT scores between 35.6 and 47.7. The current study's mean DIT of 35.7 does not indicate that the moral reasoning ability of accountants has improved. Can we then say that accounting education has failed in its attempt to improve ethical decision making? First we must address the question of whether or not moral reasoning ability can be improved through a course of study. Armstrong (1993) reported that students who chose to take an ethics course had higher DIT scores than those who chose not to take an ethics course. Bebeau and Brabeck (1987) and Baab and Bebeau (1990) both found that directed education resulted in improvement in moral reasoning and ethical sensitivity. Rest (1986) conducted a meta-analysis study of 56 moral intervention programs finding that improvements in moral reasoning abilities did result from direct educational efforts, structured educational activities/program do indeed promote improvement in moral reasoning ability.

With the assumption that we can teach ethics in a way to improve moral reasoning ability and that the academy has pursued an integration of ethics into the accounting curriculum then why have we not seen an improvement in the moral reasoning ability in accounting graduates? Perhaps the academy's response has not been adequate to elevate students to a higher level of moral reasoning.

Stephen Limberg, Professor of Accounting at the University of Texas – Austin (UT) relays that the response of the academy has not been to offer a specific course in accounting ethics but to “integrate” ethics into all facets of the accounting curriculum. (Lim, 2002) Limberg believed that ethics education is “context specific” and that ethics can only be taught if it is addressed across the curriculum, each course covering ethical issues in light of the context of specific courses. However, Michael Granof also of UT said “...in class... you have very little time... trying to make technical points... and you don’t have time to (effectively cover ethical issues). It’s a matter of priorities...” Apparently, we have chosen to present ethics as an afterthought in most accounting courses... addressing ethics after we cover the important material in the chapter.

This study attempted to determine whether or not the curricular changes implemented by accounting programs over the past two decades have led to improved moral reasoning ability in recent accounting graduates. The findings of the study indicate that the implemented changes have done little to enhance the ability of accounting graduates to make reasoned moral choices, and support the continued examination of the role and position of ethics and ethical reasoning in the accounting curriculum. A limitation of the study must be pointed out - the small sample size employed in the study precludes the ability to generalize findings to all accounting graduates or accounting programs. The size of the sample leads to a recommendation that the study be duplicated in a larger population of recent accounting graduates to more fully assess the impact of curriculum change on moral reasoning ability and ethical analysis.

Even though results can not be generalized one tentative conclusion can be advanced, that for the moral reasoning ability of accounting graduates to be improved the academy must provide focused instruction in the use of ethical analysis to resolve moral dilemmas encountered in the accounting profession. The broad infusion of ethical cases at the end of chapters does not appear to be adequate.

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