

Ethics in the Accounting Profession

Dr. Donald L. Ariail, CPA

Assistant Professor of Accounting
Texas A&M University-Kingsville

System Center San Antonio

DR. ARIAIL

EDUCATION

- **BBA** (Finance) – Georgia State University
- **MPA** (Accounting) – Georgia State University
- **DBA** (Accounting) – NOVA S.E. University

DR. ARIAIL

EXPERIENCE

- A total of 34 years in the CPA profession
- 9 years as an auditor/staff accountant in local CPA firms
- 25 years as a owner/partner in local CPA firms

DR. ARIAIL

CONTACT INFORMATION

- **Home: 210-257-5041**
- **Work: 210-921-5562**
- **Cell: 210-240-7120**
- **E-mail: ariailcpa@aol.com**

Dissertation

Personal Values, Moral Development, and
Their Relationship: A Study of Certified
Public Accountants

2005

UMI # 3169071

Available from ProQuest

300 North Zeeb Road

P.O. Box 1346

Ann Arbor, MI 48106-1346

General Questions

- Do CPAs differ in their Moral Development?
- Do CPAs differ in their Personal Value preferences?
- Are the Personal Value Preferences of CPAs related to their Level of Moral Development?

14 Variables Investigated

- Age
- Gender
- Years licensed as a CPA
- Practice Area
 - Public
 - Industry
 - Government
- Level in CPA firm
- Size of CPA firm
- Size of practice area
- Level in industry/gov.
- Level in education
- Ethics training
 - Hours
 - College ethics course
 - Recent ethics training
- Social/political ideology

James Rest's (1986) 4 Component Model of Moral Behavior

- (1) **Moral sensitivity** (aware that an ethical situation exists).
- (2) **Moral judgment** (decision about what is right and just – moral development).
- (3) **Moral motivation** (give priority to moral values over personal values – related to personal values and value systems).
- (4) **Moral character** (courage to take the ethical act).

Two Central Theories

- Moral Development Theory
- Personal Value Theory

Moral Development Theory

Kohlberg (1958), Rest (1979)

3 levels and 6 stages of moral development

Reasons for deciding what is right and just:

- Level 1 – **pre-conventional** (stages 1 & 2): avoiding punishment, follow rules that support self-interest
- Level 2 – **conventional** (stages 3 & 4): concerned with good behavior expectations of others, fulfilling duties, & respecting laws.
- Level 3 – **post-conventional** (stages 5 & 6): values & rules of society are relative; chooses ethical principles over conflicting laws.

See Handout

Personal Value Theory

Milton Rokeach (1968)

- A Value is an:
 - Enduring **belief** that a
 - Specific **mode of conduct** (means)

Or

- **End state** of existence (ends)

Is

- **Personally or socially preferable**

Personal Value Theory

Rokeach (1973)

- Terminal values - 18 (ends – goals)
 - 9 **Social** – e.g., freedom, equality
 - 9 **Personal** – e.g., happiness, salvation
- Instrumental values – 18 (means – modes of conduct)
 - 9 **Competence** – e.g., capable, intellectual
 - 9 **moral** – e.g., forgiving, helpful, honest

Methodology

3 Research Instruments

- Defining Issues Test (**DIT**) – Moral Development
- Rokeach Value Survey (**RVS**) – Personal Values
- Questionnaire – Demographic Data

Methodology

DIT- Developed by James Rest (1979)

- Self-administered
- 6 moral dilemmas
- 12 stage specific questions (rated) – each dilemma
- Two main indices produced:
 - **P score -- % of Post-conventional (stages 5 & 6) justifications.**
 - **N2 score -- P score adjusted for high/low stage discrimination**
- Means were computed for the various categories of each of the 14 variables. Means were compared with the T-Test and ANOVA

Paradigm of Moral Development Research

Methodology

RVS - Developed by Milton Rokeach (1973)

Developed by Milton Rokeach (1973)

- Self-administered
- 36 Values (2 sets of 18 values):
 - 18 Instrumental values (desirable means): honest, capable, intellectual
 - 18 Terminal values (desirable ends): salvation, family security, happiness
- Rank ordered from 1 – 18 (1= most important; 18 = least important).
- Medians were computed by gender for each value.
- Medians were compared with the Median Test.

Paradigm of Values Research

Methodology

Data Collection

- **Sponsored by the Ga. Society of CPAs (GSCPA)**
- Approved for **1Hour of A&A CPE Credit:** GSCPAs & Georgia Board of Accountancy
- **Advertised:**
 - GSCPA Newsletter (cover)
 - E-Broadcast – All Society members
 - Presentations at seminars
- **Survey packets distributed:**
 - Ethics classes (statewide)
 - 4 major GSCPA seminars
 - Mail

Results – Data Collection

Packets distributed	582	100%
Packets returned	314	54%
Responses eliminated:		
Failure to complete both RVS & DIT	6	
DIT Reliability check	3	
Omission of gender	1	
Final Sample	304	52%
Female = 41%		Male = 59%

Results – Entire Sample Moral Development

- DIT P Score
 - Range - 8.33 – 68.33
 - Mean – **33.53**
- DIT N2 Score
 - Range -10.90 – 70.82
 - Mean – **39.18**

DIT P Scores Means by Terciles

<u>P Score</u>	<u>Number</u>	<u>%</u>
• High	48	15.79
• Middle	156	51.32
• Low	<u>100</u>	<u>32.89</u>
• Total	304	100.89

1/3 of CPAs in the sample are at the Pre-conventional level of Moral Reasoning

Results – Entire Sample

Moral Development

- Selected studies of accounting practitioners (Handout).
 - Range– 32.60 – 44.16
 - Weighted average – 38.94
- Different Groups on the DIT P Score (Handout)
 - College students in general – 42.3
 - Adults in general – 40.0
 - Senior high school students – 31.8
- Mean for CPAs in this Sample – 33.53

Results – Entire Sample Moral Development

The Mean DIT P Score of 33.53 for this group is:

- Lower than that found in **15 of 17** of the selected studies of Accounting Practitioners.
- Lower than that found in large sample studies of **adults in general** (40.0)
- Lower than **College students** in general (42.3)
- Only slightly higher than that of **Senior High School students** (31.8)

Results – Entire Sample Moral Development

Suggested Reasons for Low MD:

- CPAs are less idealistic.
- CPAs are more rule oriented – stage 4 development.
- Selection-Socialization – CPAs with low MD are promoted.
- Students with lower MD self-select the CPA profession.

Results – Entire Sample

Terminal Values

6 Most Important

1. Family Security
2. Salvation
3. Self-Respect
4. Freedom
5. Happiness
6. Wisdom

6 Least Important

1. Pleasure
2. A World @ Peace
3. An Exciting Life
4. Equality
5. Social Recognition
6. A World of Beauty

Results – Entire Sample

Instrumental Values

6 Most Important

1. Honest
2. Responsible
3. Capable
4. Loving
5. Courageous
6. Independent

6 Least Important

1. Polite
2. Broad-minded
3. Cheerful
4. Obedient
5. Clean
6. Imaginative

Results for Selected Variables

Gender

Level in CPA firm

Education

Gender Results

Demographics

- Male – 182
- Female – 123

Gender Results - Values

4 Value Differences	<u>Female</u>	<u>Male</u>	<u>Median Test</u>
• <u>Terminal</u>	<u>Medians</u>		<u>p</u>
Freedom (social)	7.00	5.87	.028*
• <u>Instrumental</u>			
Imaginative (com.)	16.17	14.92	.025*
Logical (com.)	10.88	8.62	.008*
Loving (moral)	6.75	9.43	.000*

* = $p \leq .05$

Gender Results – Moral Development

		<u>DIT Indices</u>	
		<u>P</u>	<u>N2</u>
Males	Mean	32.12	37.49
	SD	11.40	10.53
Females	Mean	35.74	41.71
	SD	12.08	10.96

Gender Results – Moral Development

t-Test

P Score	.009*
---------	--------------

N2 Score	.001*
----------	--------------

* = $p \leq .01$

Gender Results – Value Types

Reverse Rank Order Scores

	<u>F</u>	<u>M</u>		<u>F</u>	<u>M</u>
• Terminal					
Personal	101*	100*	Social	70	71
• Instrumental					
Competence	77	92*	Moral	94*	79

* = Value type preference

Gender - Conclusion

Do male & female CPAs differ in their predisposition to act ethically?

- The male and female **CPAs in this sample** differed in both moral development and moral motivation (personal values and value systems) – two of the four components of Rest's model of moral behavior.
- Specifically, the female CPAs had a higher level of moral development and gave a greater preference to moral values.

Therefore:

- At least for these two components of moral behavior, the results suggest that **the female CPAs, compared to the male CPAs, did have a greater predisposition to act ethically.**

Level in Organization

Prior research has indicated that the Moral Development of CPAs differs by rank in the firm:

- Selection-Socialization – the MD of CPAs decreases at higher levels in the firm: i.e., CPAs with lower MD are promoted.
- Inverted-U – MD increases at each rank up to the Manager and then decreases at the Sr. Manager and Partner (the lowest) ranks

Level in Organization Results

- The Moral Development of CPAs in Public, Industry and Government practices did not significantly differ by rank – no significant differences were note.
- Refutes both the Selection-Socialization and the Inverted-U theories.

Level in Organization Results

Subsequent Analysis

The MD of my sample of CPAs was compared to the MD of a large sample of senior accounting students:

- The senior accounting students had significantly higher levels of MD than the CPAs in Public and Industry practices.
- However, there were no significant differences found for Government practice.

Level in Organization Results

Subsequent Analysis – Conclusion

- Since Moral Development has been found to be stable after college education ends, it appears that selection socialization may be taking place at the entry level in Public and Industry practice.
- That is, juniors with higher MD may not be promoted to higher ranks.
- Additional research is needed

Education Variable Results

Demographics

- Without a Graduate Degree – 196
- With a Graduate degree - 110

Education Variable Results

	<u>DIT P Scores</u>	
	P	N2
• W/O a Grad. Degree	32.71	38.12
• With a Grad. Degree	34.98	41.07

The CPAs with a Graduate Degree had higher levels of Moral Development than the CPAs without a Graduate Degree.

Education Variable Results

Moral Development

T-Test

p

- DIT P Score

.107

- DIT N2 Score

.022

Education Variable Results

- Thus, the CPAs with a Graduate Degree had significantly higher MD than the CPAs without a Graduate Degree.
- Agrees with prior research – MD increases as long as one stays in college.
- Has implications for the 150 hour requirement: An additional year of college may have a positive effect on the ethical behavior of future CPAs

End of Dissertation Presentation

Thank You For Your
Attention

Are there any questions?

Survey

Perceptions of Business School Professors

Drawing - \$50 Gift Certificate to Maggiano's

Your Completion of the Survey will be greatly appreciated

Takes About 10 Minutes