

Accounting Ethics Education

A 43-Year Retrospective

By Steven M. Mintz

IN BRIEF

The accounting profession has long prided itself on its commitment to ethics. For academia, this makes the question of how to teach individuals to become ethical professionals of utmost importance. In this personal retrospective, author Steven M. Mintz relates the development of accounting ethics education over the course of his long career. The lesson to be taken away from this history is that, even after the goals of ethics education were laid out, a long process of research and deliberation searching for the best methods by which to reach those goals has been necessary, a process that continues in universities and accounting departments today.

I began my career teaching and writing about accounting ethics in 1978 after graduating with a doctoral degree in accounting. Little had been done up until that time to spread the word about the importance of teaching ethics to accounting students. One exception was a book of writings on ethics in the accounting profession edited by Stephen E. Loeb and published in 1978 that helped to inform my own opinions in this area (Stephen E. Loeb, ed., *Ethics in the Accounting Profession*. John Wiley & Sons, 1978).

Another publication in 1978 that helped inform my own views was the Treadway Commission Report, which detailed its findings following a series of financial frauds that shocked the business and investing communities. The report recommended teaching ethics to business students to make them aware of critical issues (*Report of the National Commission on Fraudulent Financial Reporting*. 1978; <https://www.coso.org/Pages/NCFRR-Summary.aspx>). From my perspective, this report marks the beginning of accounting ethics education in earnest.

In addition to the recommendation for education in financial reporting and sound judgment, the Treadway Commission recommended that the accounting curricula should integrate the development of ethical values with the

acquisition of knowledge and skills to help prevent, detect, and deter fraudulent financial reporting. The Treadway Commission suggested that the development of case studies based on actual situations should be a priority to sensitize students to the challenges of making ethical decisions.

Goals of Accounting Ethics Education

Shortly thereafter, Loeb wrote his seminal paper on what the goals of accounting ethics education should be (Stephen E. Loeb, "Teaching Students Accounting Ethics: Some Crucial Issues." *Issues in Accounting Education*, 1988, vol. 3, pp. 316-329). He adapted his suggestions of goals from D. Callahan, "Goals in the Teaching of Ethics" [D. Callahan, S. Bok (eds.), Plenum Press, 1980, pp. 64-74]. These goals include the following:

- Relate accounting education to moral issues
- Recognize accounting issues that have ethical implications
- Develop a "sense of moral obligation" or responsibility
- Develop the abilities needed to deal with ethical conflicts or dilemmas
- Learn to deal with the uncertainties of the accounting profession

Speaking about Legal Ethics at Continuing Legal Education (CLE) meeting in L.A. 2013



Speaking at Ethics Symposium at Cal State, Fullerton 2014



Mintz joining faculty at Cal Poly in 2006



■ “Set the stage for” a change in ethical behavior

■ Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics.

What stands out the most are the recommendations to develop a sense of moral obligation and the abilities to deal with ethical conflicts or dilemmas. These relate to the Treadway Commission’s call for increased ethics education.

Ethical Decision-Making Model

An eight-step ethical decision-making model was first developed by William May at the University of Southern California and included in his book *Ethics in the Accounting Curriculum: Cases & Readings* (American Accounting Association,

1990). It served as a resource for the Langenderfer and Rockness ethical decision-making model.

Harold Langenderfer and Joanne Rockness published an influential paper that discussed how to integrate ethics into the accounting curriculum (“Integrating Ethics into the Accounting Curriculum: Issues Problems, and Solutions.” *Issues in Accounting Education*, 1989, vol. 4, no. 1, pp. 58-69). Along these lines, the authors recommended the following eight-step decision-making model:

- Identify the facts.
- Identify the ethical issues and the stakeholders involved.
- Define the norms, principles, and values related to the situation.
- Identify the alternative courses of action.
- Decide the best course of action

consistent with the norms, principles, and values.

- Evaluate the consequences of each possible course of action.
- If appropriate, discuss the alternatives with a trusted person to help gain greater perspective regarding the alternatives.
- Reach a decision as to the appropriate course of action.

Defining the norms, principles, and values links to Loeb’s goals. Identifying the alternative courses of action and deciding which one is best could be determined by using philosophical reasoning methods primarily through case studies, as had been posited to be the optimal approach to ethics education.

At the same time, in 1988, the American Accounting Association formed a Professionalism and Ethics Committee that provided advice on

early efforts to inform educators about the ethical issues faced by accounting professionals in the context of broader moral issues. The committee held a series of seminars to train faculty to use philosophical reasoning methods and apply a case study approach to evaluate ethical dilemmas faced by accounting professionals. Ironically, Arthur Andersen was at the forefront in training accounting educators in the philosophical reasoning methods; it instituted a series of seminars on ethics instruction for accounting and business faculty.

Moral Development and Ethical Reasoning

In the early 1980s, James Rest developed a Four-Component Model of Moral Development that chartered one's pathway from identifying ethical

reflect how they go about making their choices. The statements are then scored and a DIT value determined (James Rest, *Development in Judging Moral Issues*, University of Minnesota Press, 1979). The DIT is an important step in determining whether philosophical reasoning methods make a difference in developing students' moral reasoning capacities, a result taken for granted when using philosophical reasoning methods. After all, if moral judgment cannot be raised through a specific ethics intervention, then perhaps a different approach is needed.

Measuring Moral Reasoning Skills

During the 1990s, accounting researchers started to use the DIT to examine accounting students' ethical reasoning abilities to assess whether

reasoning to develop, bringing into question whether ethics can even be taught (Larry Ponemon, "Can ethics be taught in accounting?", *Journal of Accounting Education*, vol. 11, no. 2, Autumn 1993, pp. 185-209). When Jeffrey used DIT scores, she reported that accounting majors tended to have higher cognitive development if they attended a liberal arts school (Cynthia Jeffrey, "Ethical development of accounting students, business students, and liberal arts students." *Issues in Accounting Education*, 1993, vol. 8, pp. 86-99). Armstrong found that students' DIT scores increased over the course of her ethics and professionalism course, particularly if previous ethics courses had been taken. Jeffrey and Armstrong both recognized the importance of teaching philosophical reasoning; this supports Armstrong's findings that a "sandwich approach" to integrating ethics, discussed below, may be the most effective way to teach ethics to accounting students (Mary Beth Armstrong, "Ethics and professionalism in accounting education: A sample course," *Journal of Accounting Education*, 1993, pp. 77-92).

Integrating Ethics into the Accounting Curriculum

There is no standardized way to teach ethics to accounting students, whether recommended by the American Accounting Association or another body. Different views do exist in this area, as published in research journals.

Following the calls to teach ethics to accounting students, many accounting educators wrote papers discussing whether it was best to integrate ethics throughout the curriculum or teach it in a separate course on accounting ethics. Armstrong had the most comprehensive approach, called the "sandwich approach." This approach advocated a standalone ethics course, followed by ethical cases integrated across accounting courses, concluding with a capstone course that combined

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issues through carrying out ethical decisions with ethical actions. The phases of the model were: 1) moral recognition—sensitivity to ethical issues; 2) moral judgment—problem solving skills; 3) moral motivation—intent to make the moral choice; and 4) moral character—carrying out the moral choice with ethical action (James Rest: *Moral Development: Advances in Research and Theory*. Praeger, 1986).

Rest had developed a Defining Issues Test (DIT) to measure one's moral reasoning abilities. Subjects taking the DIT respond to six scenarios that best

teaching ethics to accounting students helped students to develop moral reasoning skills and whether ethics interventions made a difference in raising the DIT score. If they haven't helped, accounting educators might as well go back to the drawing board and seek more effective ways of teaching ethics to enhance students' moral development. These DIT studies are too vast to address in this paper. However, some stand out as worth mentioning.

Ponemon found that ethics interventions were unsuccessful in causing accounting students' level of ethical

ethics and professionalism. For the most part, the stand-alone course would be in philosophy or business ethics and philosophical reasoning methods would be taught. The capstone course would cover accounting ethics and professionalism (Mary Beth Armstrong, “Ethics and professionalism in accounting education: A sample course,” *Journal of Accounting Education*, Spring 1993, vol. 11, no. 1, pp. 77-92). The sandwich approach is one excellent approach to integrating ethics into the accounting curriculum.

Textbooks had begun to be published providing sufficient course materials for a stand-alone accounting ethics course. One of the first, by Mintz and Morris, integrated ethics by addressing three core issues: philosophy of ethics, business ethics, and accounting ethics. This mirrors the sandwich approach. The book uses case studies to elaborate on the basic concepts of accounting and business ethics that are drawn either from SEC files or newly developed cases written specifically to challenge students’ ethical decision-making skills (Steven M. Mintz and Roselyn E. Morris: *Ethical Obligations and Decision Making in Accounting: Text and Cases*. McGraw-Hill Irwin, 2000).

The CPA Journal has contributed to the discussion about teaching ethics to accounting students, including a paper by this author that explores the role of the “Giving Voice to Values” (GVV) methodology discussed below (Steven Mintz: “Reimaging Ethics Education,” September 2017, pp. 98-102).

Actions by the Profession

As the first state to require a course in accounting or business ethics, Maryland was a leader in requiring ethics education for accounting students. The original idea of this requirement was that such courses were a condition to take the Uniform CPA Exam. The requirement subsequently evolved into making such a course a condition for licensing, and it served as a guide for states (e.g.,

California, Texas) that included a separate course in accounting ethics.

The Uniform Accountancy Act (UAA) serves as a guideline for state boards of accountancy. The act describes a set of standards for the ethics education of accounting students (UAA Model Rule Requirements—Education, October 20, 2020, <https://bit.ly/2VerI2k>). The National Association of State Boards of Accountancy (NASBA) establishes UAA standards, and it has called for the integration of ethics into the accounting curriculum. NASBA does not favor any one approach. Instead, it calls for the following: [An ethics] program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for expressing professional skepticism and other behavior that is in the best interest of the public and the profession. At a

Houston, the Texas State Board of Public Accountancy (TSBPA) promulgated Rule 511.58(c), which requires a board-approved three-semester hour course in ethics. This essentially mirrors the guidelines of the UAA.

The TSBPA fine-tuned the rule by listing topics to be covered, including ethical reasoning (15%); integrity (15%); objectivity (15%); independence (15%); other core values (15%); AICPA, SEC, and the Board of Accountancy’s ethics rules (10%); ethical theory (10%); and other topics (5%). It also specifically mentions using case studies and moral dilemmas, supplemented by business and general case studies and moral dilemmas.

The TSBPA rule became a model for the California Board of Accountancy (CBA), which also relies on a stand-alone course on accounting ethics. The

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minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity, and independence.

It is worth noting that these standards, while not mandatory, have served as a guideline for some state boards of accountancy, including California and Texas.

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CBA requires ethics education that addresses the core values of the profession and the attitudes and behaviors required by licensed CPAs. The board went further, creating a requirement that essentially calls for three separate courses in ethics—one in liberal arts areas such as philosophy, another in some aspect of business ethics, and a stand-alone course in accounting ethics. Taken together, the California requirement is consistent with the sandwich approach advocated by Armstrong.

The ethics education requirements went international when, starting in

2008, the International Ethics Standards Board for Accountants (IESBA), an independent standards setting board, addressed ethics issues that would complement the International Code of Ethics for Professional Accountants. In 2015, the IESBA adopted International Education Standard (IES) 4, *Initial Professional Development—Professional Values, Ethics, and Attitudes*.

IES 4 calls for member bodies of the International Federation of Accountants (IFAC) to:

Provide, through professional accounting education programs, a framework of professional values, ethics, and attitudes for aspiring professional accountants to (a) exercise professional judgment, and (b) act in an ethical manner that is in the public interest.

integrate ethics in a way that supports the EEF and IES 4 (Julian Baggini and Peter S. Fosl, *The Ethics Toolkit: A Compendium of Ethical Concepts*, Blackwell Publishing, 2007).

Virtue Ethics

A research paradigm shift occurred in 1995 with the publication of Mintz's influential paper on virtue ethics. The author argued that accounting educators were missing an important component in ethics education—character development. He stated that ethics education needs to address the type of people making the ethical decision as well as their ethical reasoning abilities. Based on concepts developed by Aristotle, Mintz contended that virtue ethics was a superior method of ethics education because it addresses “a capacity to judge and do the right thing in

equating it with the Principles in the AICPA Code of Professional Conduct. He incorporated it into the last two phases of Rest's model of moral development—moral intent and moral character. In other words, ethical judgment needs an anchor to play out and moral virtue is that anchor.

Research in the late 1990s and early 2000s considered how to integrate virtue into accounting education. One study stood out because it addresses auditors' ethical decision process. Libby and Thorne argue that Rest's model fails to provide a theoretical description of the personal characteristics, except for level of moral development, in auditors' ethical decision processes. Through their Integrated Model of Ethical Decision Making, the authors described a decision process that integrates Rest's components with virtue-based characteristics, which, taken together, tend to increase the decision maker's propensity to exercise sound ethical judgment (Teresa Libby and Linda Thorne, “The Development of a Measure of Auditors' Virtue,” *Journal of Business Ethics*, 2007, pp. 89–99).

The Libby-Thorne model incorporates virtue concepts into Rest's model through the last two phases—ethical intent and ethical action. The authors questioned whether the philosophical reasoning methods went far enough, positing that the benefit of being able to make moral judgments will be stifled unless the decision maker possesses the character traits necessary to carry out those judgments with ethical action.

Active Learning Strategies

The Giving Voice to Values (GVV) methodology and teaching about practical wisdom are two approaches to teaching ethics that benefit from the use of role-playing when teaching ethics to accounting students. Loeb addresses active learning issues as a challenging approach to accounting

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A four-stage learning continuum that comprises the Ethics Education Framework (EEF) complements IES 4, commencing with knowledge of ethics and ending with ethical action. The EEF is patterned after Rest's model.

The *Ethics Education Toolkit* was developed in 2007, and updated since, to provide guidance on integrating ethics into the accounting curriculum. The toolkit includes sample course outlines, teaching notes, case studies, video clips of ethical dilemmas and a database of ethics education resource materials. It provides the resources needed to

the right place at the right time in the right way. Judgment is exercised not through a routinizable application of rules, but by possessing those dispositions which enable choices to be made about what is the good of man and by holding in check desires for something other than that will help to achieve this goal” (Steven M. Mintz, “Virtue Ethics and Accounting Education,” *Issues in Accounting Education*, Fall 1995, vol. 10, no. 2, pp. 249–267).

Mintz expanded on the specifics of virtue-based education by linking it to integrity and the public interest and

ethics instruction and GVV is one such technique (Stephen E. Loeb, “Active Learning: An Advantageous Yet Challenging Approach to Accounting Ethics Instruction,” *Journal of Business Ethics*, 2015, pp. 221-230).

Giving Voice to Values

In 2010, accounting educators began to take notice of the GVV technique developed by Mary Gentile (Mary Gentile: *Giving Voice to Values*. Yale University Press, 2010). Rather than a focus on ethical analysis, the GVV curriculum focuses on ethical implementation and asks the questions: What if I were going to act on my values? What would I say and do? How could I be most effective?

Piloted in more than 1,055 schools, companies, and other organizations on all seven continents, the GVV curriculum offers practical exercises, cases, modules, scripts, and teaching plans for handling a wide range of ethical conflicts in the workplace. The curriculum is available for free to educators who register at the GVV website hosted by the Darden School at the University of Virginia (<https://www.darden.virginia.edu/ibis/initiatives/gvv>).

GVV is a behavioral approach that builds on traditional philosophical reasoning methods and emphasizes developing the capacity to effectively express one’s values to ensure that ethical action is taken. As such, GVV is an interactive, reflective approach to ethics education that involves students in the decision-making process in a meaningful way. GVV is best applied by having students script out responses to questions likely to be posed by superiors in the organization. Ethics education in GVV is best learned through role-playing and developing the tools to counteract the reasons and rationalizations sometimes provided by superiors to deviate from ethical norms. The goal of GVV is to positively influence the decision-making process by developing

alternative ways of dealing with an ethical dilemma. In particular, it involves students directly in the decision-making process by expressing their values when ethical conflicts exist.

What stands out most about GVV is that it goes beyond using philosophical reasoning methods to decide what to do (which has already been determined), and it provides the tools for students to act on their values and ensure that the right thing to do gets implemented into action. In this sense, GVV links to the third (ethical motivation) and fourth phases (ethical action) of Rest’s model.

GVV identifies the most frequent categories of argument or rationalization that students may face when they decide whether to speak out against unethical practices, including the following:

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■ **Expected or standard practice.** “Everyone does this, so it’s really standard practice. It’s even expected.”

■ **Materiality.** “The impact of this action is not material. It doesn’t really hurt anyone.”

■ **Locus of responsibility.** “This is not my responsibility: I’m just following orders here.”

■ **Locus of loyalty.** “I know this isn’t quite fair to the customer, but I don’t want to hurt my reports/team/boss/company.”

Mintz and Miller suggest adding a fifth category, Isolated Incident, that is unique to accounting. This occurs when

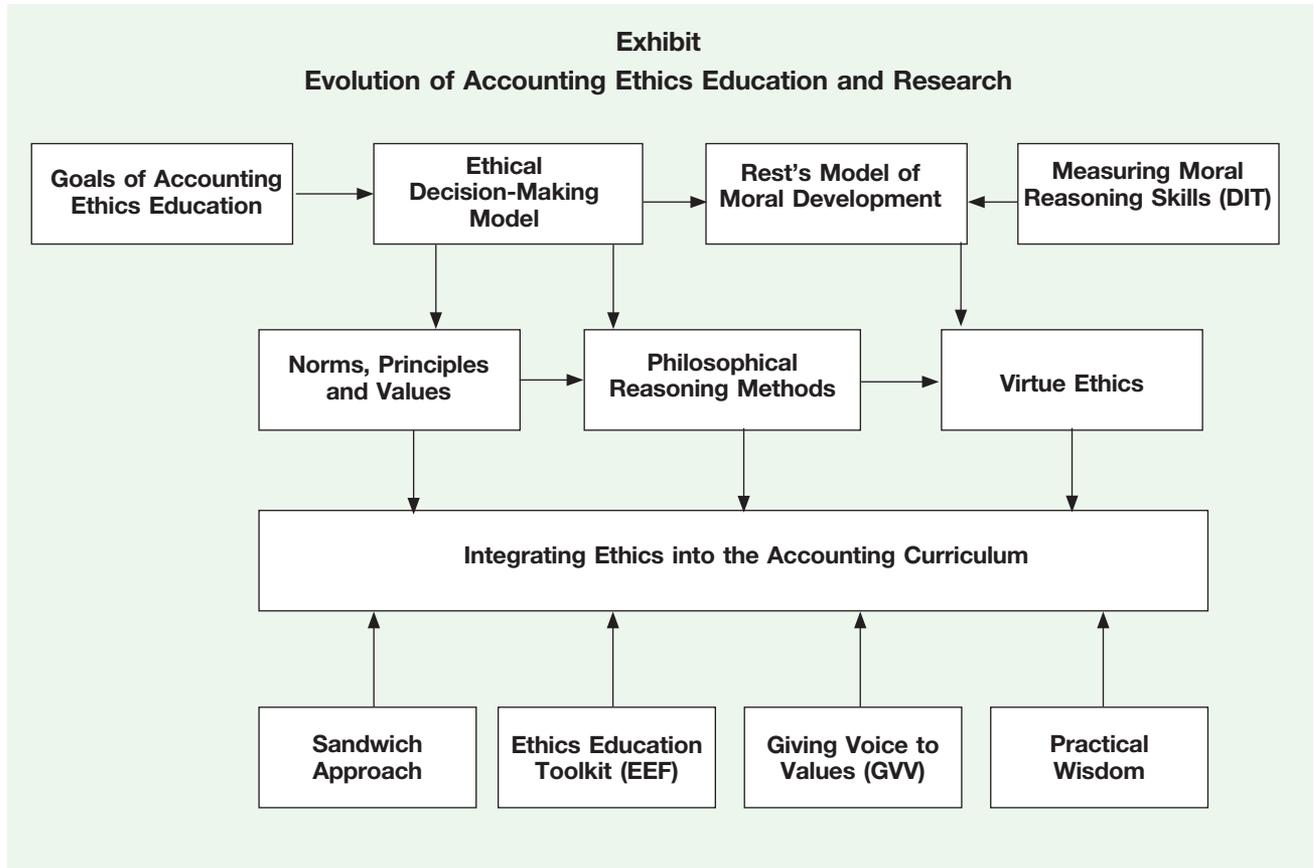
professionals are pressured by superiors to go along once and they will never be asked to do so again [Steven Mintz and William Miller, *Ethical Obligations and Decision Making in Accounting: Text and Cases*, 6th edition (forthcoming), McGraw Hill Education, 2021].

Several accounting educators have started to research how to integrate the GVV approach into accounting ethics education. It is too soon to know how many accounting programs use such an approach and additional research is needed in this area.

A good resource on how to integrate GVV into the accounting curriculum has been written by Cote and Kamm Latham. They explain how to integrate GVV across the accounting curriculum including in intermediate accounting, accounting information systems,

and auditing courses [Jane Cote and Claire Kamm Latham, “Building Action-Oriented Tools to Tackle Ethical Challenges in the Accounting Profession,” in *Giving Voice to Values in Accounting*, Tara J. Shawver and William F. Miller, eds., Routledge, 2019].

Shawver and Miller explain how to integrate GVV into an advanced financial accounting course by encouraging students to voice their values through scripted role-plays. After implementing the program and empirically assessing the impact of ethics intervention, the authors found that students are more



likely to speak up and confront unethical actions by voicing their values to internal management, the CFO, and company hotlines after completing the module (Tara J. Shawver and William F. Miller, “Assessing the Impact of the Giving Voice to Values Program in Accounting Ethics Education,” *Journal of Business Ethics Education*, vol. 15, pp. 133–168).

Practical Wisdom and Moral Courage

The latest area of curriculum development in ethics is practical wisdom. In many ways, it links to virtue theory. In Aristotelean ethics, practical wisdom is seen as a true and reasoned state of capacity that applies moral skill, or having the judgment capabilities to decide ethical issues, with moral will, or having the intent and character to carry out ethical

judgments with ethical action. Moral will and moral skill are the two components of practical wisdom, and they work together to provide a framework for ethical decision making. Practical wisdom also links to Rest’s model with respect to moral intention and moral character.

It can be argued that practical wisdom precedes applying ethical judgment in decision making and flips the order of the four phases of moral development in Rest’s model. In other words, absent the moral will, it does not matter how good one’s moral judgment abilities are—moral skill—a moral decision will not be made.

Steubs, Miller, and Mintz describe a case study in which they apply practical wisdom to the GVV method through an experiential learning assignment. The case study facilitates the exercise of moral will and moral skill by

developing a script to voice values and positively influence ethical decision making. It informs professional skepticism because it provides the strength of character to withstand pressures from superiors to deviate from ethical norms (Marty Steubs, William Miller, and Steven Mintz, “Advancing Practical Wisdom in Ethics as an Essential Soft Skill Developed Through Experiential Learning,” *Research on Professional Responsibility and Ethics in Accounting*, forthcoming).

The goal of ethics education regarding practical wisdom is to develop moral courage through experiential learning exercises. It provides the tools for ethical analysis and decision-making that focuses on developing in students the capacity to maintain their integrity in the face of reasons and rationalizations to deviate from ethical norms.

Shaub points out that nowhere in an accounting curriculum are students taught how to develop the moral courage necessary to follow through ethical decisions with ethical action. He contends that the accounting ethics classroom may be the perfect environment to wrestle with the issues involving moral courage, including what enables and inhibits it. As a result, “building a culture in an organization that enables moral courage can short circuit major moral failures before they are allowed to come to fruition” [Michael K. Shaub, “Building Moral Courage Through a Wisdom-Focused Accounting Ethics Course,” in *Accounting Ethics Education: Teaching Virtues and Values*, Margarida M. Pinheiro and Alberto J. Costa (eds.), Routledge, 2021].

Shaub describes an accounting ethics course that seeks to help students develop practical wisdom by voicing their opinions and practicing them in the classroom primarily through case studies.

An accounting ethics course ought to be designed not just to teach moral reasoning, but also to maximize moral behavior, because people are judged by their behaviors, not their reasoning. Consistent moral behavior in challenging situations is only possible if processes are put in place to enable moral courage in the presence of duty. The course is meant to prepare people for a profession, not just a job, and a duty to others (or to the public) to prevent harm is implicit in any field as a profession. This duty requires both competence and integrity.

Educating students about moral courage is an important step in the evolution of accounting ethics education, because it provides a practical approach to teaching students to execute moral decisions by combining virtue theory with the GVV methodology. It enables students to voice their values and make

a real difference in their organizations.

Accounting educators are encouraged to develop experiential learning exercises that directly involve students in changing their work environment and enhancing workplace culture. Along these lines, seasoned professionals should be invited into the classroom to share their experiences with students so they can learn about role models, an essential characteristic of moral courage.

Historical Lessons

The *Exhibit* traces the evolution of accounting ethics education and research during the 43-year period during which I have been involved in accounting ethics education. It starts with the goals of accounting education, identified by Loeb, and proceeds to developing an ethical decision-making model (Langenderfer and Rockness) to help achieve those goals. Rest’s model serves as the basis for making ethical decisions through the four phases discussed in the article.

Once the goals have been identified and decision-making model chosen, the next step is to decide how to integrate ethics into the accounting curriculum. The sandwich approach described by Armstrong is the most comprehensive approach to integrate ethics and it coincides with the regulatory requirements established by the TSBPA and CBA that call for the discussion of professional core values. A stand-alone ethics course on the philosophy of ethics would begin one’s ethics education, followed by case studies to integrate ethics onto the accounting curriculum, and putting it all together in a capstone course on accounting ethics and professionalism.

The ethics education toolkit offers a comprehensive approach to integrating ethics into the accounting curriculum and provides invaluable resources for accounting educators, including case studies, teaching notes, video clips of

ethical dilemmas, and interviews with professionals. The same could be said about the GVV method, which also provides an extensive library of resources free to educators.

The virtue ethics approach is particularly appealing, because it overcomes some of the criticisms of philosophical reasoning methods—that is, that they do not go far enough to ensure ethical action occurs. A student may know what the right thing to do is, but not have the moral courage to get it done. This is where GVV and discussions of practical wisdom come into play. They are virtues-based approaches in that students learn to develop moral courage and act on their values.

Accounting researchers can extend the boundaries of this article by comparing the ethics education requirements of state boards of accountancy, including classroom hours and continuing education requirements in ethics (<https://www.nasbaregistry.org/cpe-requirements>). Additional research is needed to test the GVV methodology and how best to incorporate issues related to practical wisdom.

Accounting ethics education has progressed over the past four decades and now serves as an example of how accounting educators can influence curriculum development in a positive way. The goal should be to influence the ethical behavior of students as future accounting professionals. Accounting educators are encouraged to build on that history and continue to search for the most effective way to teach ethics to accounting students, so that the next generation can make a positive contribution to reducing instances of fraudulent financial reporting. ■

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