



**THE PERCEPTIONS OF ACADEMICS AND
PRACTITIONERS ON THE OUTCOME OF ETHICS
EDUCATION IN MALAYSIA**

BY

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ABSTRACT

Ethics became of an important interest in the accounting field recently. Indeed, after many global scandals, higher education institutions became more involved concerning the ethical teaching for future accounting graduates and professionals. Therefore, researchers studied the outcome of that ethics teaching in order to assess its effectiveness and try to improve its quality. Most of those studies were conducted in developed countries more than developing countries. Malaysia is among those countries which have limited studies in ethics education particularly in accounting. Therefore studies in this area became imperative, especially after the compulsory integration of ethics course in the accounting curricula by the Ministry of Higher Education of Malaysia in establishing a reassessment report Halatuju 2 in 2006. This study obtained data related to the outcome of ethics teaching in Malaysia through two different angles, academicians' and practitioners' perspective, and compared between them. 119 questionnaires were collected via a survey that was disseminated to accounting academics in public universities in Malaysia as well as accounting practitioners in companies. Results showed that both academicians and practitioners seemed to share the same view about the significant positive effect of ethics teaching in accounting undergraduate programmes in Malaysia. The findings indicate that, based on the respondents' perception, ethics education in Malaysia significantly improved the ethical decision making ability of accounting students and both academicians and practitioners shared the same viewpoint.

خلاصة البحث

أصبحت الأخلاقيات من المواضيع الهامة في مجال المحاسبة مؤخرا، خاصة بعد العديد من الفضائح الكبيرة التي عرفها المجتمع العالمي. نتيجة لذلك أصبحت مؤسسات التعليم العالي أكثر انخراطا في شأن تدريس الأخلاقيات لطلبة المحاسبة والمهنيين المحاسبين. أدى انخراط مؤسسات التعليم العالي في هذا الموضوع إلى جلب انتباه العديد من الباحثين، حيث أن معظم دراساتهم تركزت على نتائج تدريس الأخلاق قصد تقييم فعاليتها ومحاولة تحسين نوعيتها. أجريت معظم هذه الدراسات في البلدان المتقدمة أكثر منها من الدول النامية، حيث تعتبر ماليزيا، كبلد نامي، من بين البلدان ذوي دراسات محدودة في تعليم الأخلاقيات لا سيما في مجال المحاسبة. من أجل ذلك أصبح هذا النوع من الدراسات في هذا المجال ضروري في ماليزيا، خاصة بعد أن ألزمت وزارة التعليم العالي في ماليزيا إدخال درس الأخلاقيات في المناهج الدراسية للمحاسبة في عام 2006 بعد إعداد تقرير إعادة التقييم Halatuju 2. هدف هذه الدراسة هو الحصول على بيانات تتعلق بنتائج أخلاقيات التدريس في ماليزيا من خلال منظور الأكاديميين و منظور الممارسين، كذا المقارنة بينهما. تم جمع 119 إستبيانا بعد أن وزعت على أكاديميين في مجال المحاسبة في جامعات حكومية في ماليزيا وأيضا على ممارسين محاسبين في شركات ماليزية. أظهرت النتائج أن كلا من الأكاديميين والممارسين يشتركان الرأي حول التأثير الإيجابي لتدريس الأخلاقيات في برامج المحاسبة في الجامعات الماليزية. وتشير النتائج أيضا إلى أنه بناء على رأي المستجوبين وعلى حد سواء، تعليم الأخلاقيات في ماليزيا تحسن بشكل ملحوظ مما يجعل الطلاب أكثر أهلية لاتخاذ قرار أخلاقي.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as dissertation for the degree of Master of Accounting.

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or any other institutions.

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LIST OF ABBREVIATIONS

AACSB	Association to Advance Schools of Business International
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
CMA	Certified Management Accountant
CPA	Certified Public Accountant
DIT	Defining Issues Test
DMA	Decision-Making Ability
ECQ	Ethical Climate Questionnaire
FEI	Financial Executives International
HIH Australia	Heath International Holdings Australia
IES	International Education Standards
IFAC	International Federation of Accountants
IHE	Institutions of Higher Education
IIA	Institute of Internal Auditors
IIUM	International Islamic University Malaysia
IMA	Institute of Management Accountants
MBA	Master Business Administration
MIA	Malaysian Institute of Accountants
NASBA	National Association of State Boards of Accountancy
SPSS	Statistical Package for the Social Sciences
TSBPA	Texas State Board of Public Accountancy
UiTM	Universiti Teknologi MARA
UK	United Kingdom
UKM	Universiti Kebangsaan Malaysia
UM	University of Malaya
UPM	Universiti Putra Malaysia
USA	United States of America
UUM	Universiti Utara Malaysia

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

In the last few decades, ethics education became of considerable interest to the researchers in terms of its effectiveness and influence on the ethical behaviour of students (Lau, 2010). Ethics education was encouraged in many fields such as in medicine (Cordingley et al., 2007), general business (Gautschi and Jones, 1998; Alam, 1995; Bampton and Cowton, 2002), education (Sileo, Sileo and Pierce, 2008), engineering (Hishamuddin et al., 2006), legal and engineering profession (McPhail, 2001), accounting (LaGrone, Welton and Davis, 1996; Blanthorne, Kovar and Fisher., 2007; Abu Bakar, Ismail and Mamat, 2008; Massey and Hise, 2009; Abdolmohammadi et al., 2009; Saat, Porter and Woodbine, 2010) and other fields (Bonawitz, 2002; Mamat and Mokhtar, 2009).

Ethics teaching became more crucial in the field of accounting, especially when its coverage was claimed to be limited in the accounting curriculum (Loeb and Bedingfield, 1972) and also the occurrence of numerous scandals that jeopardized companies and entities at the global level. Examples of such scandals are: Enron, WorldCom, Microsoft, Peregrine Systems, Rite Aid, Sunbeam, Tyco, Waste Management, W.R. Grace, HIH in Australia, Xerox, Lehman Brothers, Bears Stearns, Countrywide Financial, Merrill Lynch, and Washington Mutual among many others (Armstrong, Ketz and Owsen., 2003; Jennings, 2004; Guffey & McCartney, 2008; Hurtt and Thomas 2008; Mirskehary, Yaftian and Wickremasinghe, 2009; Kannaiah & Kumar, 2009; Sweeney & Costello, 2009; Ferrell, Fraedrich and Ferrell, 2011).

In order to alleviate the ethical misconduct of some professionals and protect the future generations of professionals, societies encouraged the higher education curriculum to cover ethics instruction (Hiltebeitel and Jones, 1992; LaGrone et al., 1996), such as The Association to Advance Schools of Business International (AACSB) in U.S. which suggested to introduce ethics courses in the 1960s (Hurt and Thomas, 2008). Similar supports for ethics education were seen also in the U.S. from the National Association of State Boards of Accountancy (NASBA) in their proposal of 2007 (Abdolmohammadi et al., 2009). In U.K., the Association of Chartered Certified Accountants (ACCA) revised their entire syllabus in 2007 (Ghaffari, Kyriacou and Brennan, 2008) in order to integrate ethics.

In the case of Malaysia, the Ministry of Higher Education established Halatuju 1 in 2001 and then the Halatuju 2 in 2006 (Saat et al., 2010). It was in the latter initiative that the integration of ethics became more prominent. Halatuju is a reassessment report on accounting programmes at universities in Malaysia. Its purpose is to improve the accounting curricula's quality and cover the current accounting's needs accordingly with the international standards, specifically the international Education Standards (IES) for professional accountants. These standards were set by the Education Committee of the International Federation of Accountants (IFAC). Therefore, compliance with Halatuju should strengthen the teaching and learning process in order to effectively meet professional standards. Halatuju 1 had weaknesses related to learning procedures and teaching methodology, so The Halatuju committee meet again later to review the reassessment report (Halatuju 2, 2006)..

The second review took place 5 years later and Halatuju 2 was produced. Halatuju 2 reviewed Halatuju 1's weaknesses in general and proposed suggestions related to accounting profession as well (Halatuju 2, 2006). Halatuju 2 concentrated

on five categories: accounting education's conceptual framework, reconsideration of the accounting curriculum programme according to the national and international standards, promote collaboration with industry and accounting profession, modifications in policies of education and staff development, and monitoring the implementation of Halatuju 2. Among the learning outcomes' aspects that were focused on in Halatuju 2 was “Ethics values and professional conduct”, this aspect was suggested to be embedded in the accounting programme (Halatuju 2, 2006). Although the integration of ethics into halatuju 2 was inspired by IES 4 “professional values, ethics and attitudes”, Halatuju 2 was not prescriptive about how Malaysian public universities should do about integrating ethics into accounting curriculum. Nevertheless, the integration of ethics into the accounting degree programme was warranted.

Since it is believed that lectures are the main teaching method (McNair and Milam, 1993), societies possibly believe that the accounting educators may help to prepare students (future professionals) to face the ethical problems through courses given in their study curriculum (Haywood, McMullen and Wygal, 2004). The reason could be because students might be uninformed of some very important codes of conduct, thus they need to be taught in order to enhance their awareness of the rules and professional ethics. Examples of these codes are: ethical requirements in state and federal laws and regulations, the AICPA Statements on Standards for Tax Services, the Institute of Management Accountants (IMA) Standards of Ethical Conduct, the Financial Executives International (FEI) Professional Ethics, and the Institute of Internal Auditors (IIA) Code of Ethics (Mantzke, Cames and Tolhurst, 2005). Also more importantly, the International Federation of Accountants' (IFAC) code of ethics

for professional accountant¹ and in Malaysia, the Malaysian Institute of Accountants' (MIA) code of conduct for their members.

Many studies were conducted to test the influence of ethical education upon graduates in various fields (Gautschi & Jones, 1998; Abdolmohammadi and Reeves 2000; Weber & Glyptis, 2000; Al-Ansari, 2002; Cordingley et al., 2007; Sileo et al., 2008). In the field of accounting, ethics education or ethics intervention upon graduates has its impact too, as seen in some prior studies conducted on accounting students (Hiltebeitel & Jones, 1992; LaGrone et al., 1996; Dellaportas, 2006; O'Leary & Mohamad, 2008). Generally, the ethical Decision-Making Ability (DMA) is considered as the main character affected by the ethics intervention in accounting universities' curriculum (O'Leary, 2009; Saat et al., 2010). DMA consists of four components as proposed by Rest (1986). They are:

- Identification of an ethical dilemma,
- Ethical judgment,
- Intention to act ethically and
- Ethical action or behaviour.

The majority of the studies mentioned above found that an ethical education intervention affects the ethicality level of the students. Almost all of the researchers used tests and analysis academically oriented, that can be seen on the authors of these analyses (academicians), also in the environment chose for the studies (universities). However, an important element that seems to be lacking in these studies is whether the outcome of ethics education is being observed by secondary parties (such as academicians and practitioners) and how it is being perceived by them. Therefore, in

¹Reachable via this web link: <http://web.ifac.org/publications/international-ethics-standards-board-for-accountants/code-of-ethics>.

addition to academicians, this study tries to include the practitioners' participation on the matter by taking into consideration their perspective on the ethical education's impact on students.

This issue on secondary perception of the impact of ethics education is elaborated in the problem statement below.

1.2 PROBLEM STATEMENT

Several studies, as mentioned before, have tested whether ethics education could produce ethical behaviour. However, these were based on research sample, controlled experiments, and questionnaires to students or academics. Thus, practitioners' viewpoints were often neglected or lacking.

Although the effect of ethics education on ethical behaviour is fundamental in ethics research, an important dimension needs to be considered in exploring it. In fact, the perception of stakeholders (as secondary parties' dimension) on the impact of ethics education may further enlighten ethics research in terms of practice or more specifically on decision making.

Based on the prior literature, ethics education may very well improve the ethical DMA of accounting students but if those who potentially assess the students do not have a similar opinion on the ethicality of these students then there could be a considerable problem. Therefore, it is equally important to study the perception of these secondary parties (practitioners and academicians), especially when only few empirical studies considered the relationship between ethics education in the academic context and ethical assessment from a practitioners' perspective (McManus and Subramaniam, 2009).

The students' ethical DMA and whether an improvement is perceived after the integration of ethics education is clearly stated in the objective of the study, which is the next section of this chapter.

1.3 OBJECTIVES OF THE STUDY

This study aims to give some insights on the academicians and practitioners' perspective on the impact of ethics education in accounting curriculum on the ethical DMA of the students based on four ethics components outlined by Rest model (Rest, 1986). The indicators of ethical DMA is extracted from prior literature and then used in the study. From this main purpose, the following detailed research objectives are developed:

RO1: To determine the perceptions of the academicians on the ethical decision making abilities of current accounting students compared to previous students.

RO2: To determine the perceptions of the practitioners on the ethical decision making abilities of current accounting students compared to previous students.

RO3: To compare between the academicians and practitioners' perceptions of the impact of ethical teachings on accounting students before and after the integration of ethics as required by Halatuju 2.

1.4 RESEARCH QUESTIONS

From the main objectives cited before, the following research questions are developed:

RQ 1: What are the perceptions of the academicians on the ethical decision making abilities of recent accounting students compared to previous students?

RQ 2: What are the perceptions of the practitioners on the ethical decision making abilities of recent accounting students compared to previous students?

RQ 3: Are there differences in the academicians and practitioners' perceptions of the impact of ethical teachings on accounting students?

1.5 MOTIVATION AND SIGNIFICANCE OF THE STUDY

There are some important points that motivated the researcher to undertake this study; among them are the following:

Previous studies addressed ethics education and its influence on students and new graduates in an academic environment (university). These studies generally found a positive impact which can be explained by an improvement in the students' ethical level. The treatment and analysis of both the samples and results was done by the articles' authors who are generally academicians. In fact, it was clearly cited in the front of many of the articles that these authors occupy a status of lecturer, assistant professor, associate professor, professor and so on, leading to say that is an academically oriented perception of the phenomena.

This study seeks to fill the gap of a limited and an incomplete perspective of the issue study (especially in Malaysia) by taking into consideration the practitioners' perspective concurrently with the academicians'. This places the study in the context of ethical education's impact within an academic and non academic environment. This was recommended in PricewaterhouseCoopers (2003) study; where it was advised that academicians and professionals should cooperate in order to create qualified and ethical students.

In addition, many think that there is a disconnection between theory, represented by academic research, and practice, which is represented by the business

community (Hinkin, Holtom and Klag, 2007; Harrigan and Hulbert, 2011). If the findings of this study were to provide evidence that academics and practitioners had similar views on the ethicality of the students, it may assist to form a bridge that narrows the claimed 'disconnection' between them.

Moreover, the potential significance of the study has further motivated the researcher. The main significances of the study are as follows:

First, the findings may help to improve the ethics education in the accounting curriculum of Malaysian universities by giving insights on what Halatju 2's application accomplished in practice. It may also contribute to improve the accountants' recruitment standards and training methods, since the practitioners' perspective, on the students ethicality, may add new insight on what is happening in the real practical environment. Added to that, academics with more practical experience appeared to have larger faith in the impact of ethics education at university (Bampton and Maclagann, 2005). Second, the inclusion of the professionals' perspective in the study will strengthen the accounting's ethics education research (Saat, Porter and Woodbine, 2009). And finally, the findings will contribute to the limited literature in the area of accounting's ethics education in a wider setting, in general, and in a Malaysian setting specifically (Saat, et al. 2009).

1.6 ORGANIZATION OF CHAPTERS

The contents of this thesis are organized into six chapters. This part discusses the contents of this research.

➤ Chapter One: Introduction: This chapter includes and discusses about the study's background, problem statement, objectives of the study, research questions, motivation for the research and concludes with the study's significance.

- Chapter Two: Literature Review: In this chapter, the researcher provides a review of prior literature in the area of ethics education in general fields first and then more specifically in the accounting field. Furthermore, the ethical DMA with its indicators (Rest's elements) are mainly discussed in the literature especially in studies undertaken in the accounting context. Finally, the chapter ends with a discussion on the gap in the literature.
- Chapter Three: The Theoretical Framework: In this chapter the researcher develops the theoretical base of the study. A theory related to ethics education is discussed, as it is the foundation of the research. This basis is referred to in conducting the research and analyzing the data. For the hypotheses' development, three null hypotheses are developed, discussed and explained in a manner which is appropriate and relevant for the study's purpose.
- Chapter Four: Research Methodology: The researcher discusses in this chapter the sample selected and its size. The source of data and the instrument used are mentioned as well. The data analysis methods are both Paired and Independent sample t-test in order to analyze and compare the means of academics' and practitioners' perception in each step of the research. Other rudimentary statistics are shown in tables to make results clearly understandable and usable.
- Chapters Five: Research Findings and Data Analysis: the study's findings are presented and discussed in this chapter, first by an analysis on the perception of academicians, then an analysis on the perception of practitioners. A final analysis is a comparison between the two perceptions.
- Chapter Six: Conclusion: The chapter starts with a summary of the dissertation. Then, a discussion on the implications of the findings is included,

followed by limitations and suggestions for future research. And finally, a general conclusion is provided.

1.7 CONCLUSION OF THE CHAPTER:

This chapter started with a background about ethics education, followed by a discussion on the problem statement, then the objective of the study, research questions, motivation and significance of the study, and ended with an organization of the chapters.

The next chapter will discuss the literature review related to the purpose of this study. The studies will be categorised according to the field of research and also in chronological order. At the end of the chapter, Malaysian studies will have a separate section as it is the area of study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Several studies have contributed to the literature regarding the influence of ethics education in accounting upon students and new graduates, and then as a result on accounting practice. Generally, in addition to accounting, the literature covered researches on ethics education and its impact on numerous fields. These fields include Medicine, Engineering and general Business. Then, specifically focusing on the ethics studies in the field of accounting, it can be seen that the researches are conducted in both developed and developing countries.

Moreover, although there are various perspectives, the samples of the studies are predominantly lecturers and students in the accounting programme or graduates of the programme. Therefore, the studies were considered to be mostly academically oriented, this was seen indirectly on many researches where the authors used their academic perspective to analyse and discuss the study's results, and directly where the academician's perspective was the target.

Nevertheless, the existence and expansion of ethics research is an indication of growing awareness on the importance of ethics and its relevance in the wide spectrum of professions that involve human behaviour and decision making. As accounting is one of these professions and due to the several accounting scandals that occurred recently, many researchers concentrated their efforts in ethics and accounting by trying to find insights that can help promote it in practice.

In their studies, numerous researchers studied the ethical DMA as a main character in order to capture the effect of ethics education on students who took ethics course (Weber, 1990; Glenn 1992). Hence, this chapter reviews these studies. However, the Malaysian studies are discussed separately as a section as it is the area of study. Then, the review of the literature ends with the gap in the literature, and finally this chapter concludes with a chapter summary.

2.2 ETHICS EDUCATION IN FIELDS OTHER THAN ACCOUNTING

Other than accounting, many disciplines have become aware of the necessity of ethics education in their field. Thus, researches have been conducted in these disciplines. However, most of these researches are conducted in developed countries and there are less researches on ethics in developing countries. Among the studies established in the developed world for instance was Glenn (1992). This early study tested the students' ethical decision-making abilities pre and post ethical course specifically in the business field. From 18 universities in the United States of America (USA), the author took a sample of 460 undergraduates' and graduates' business (MBA) students, who took business and society course in their curricula. The students had to answer a 5-point scale (ethical– unethical) questionnaire before and after taking a course of ethics in their curricula. The findings showed that the ethical course had a positive impact on the student's ethical judgment. Hence, the ethics course seems to have a positive effect on the student's ethical decision-making.

In the same context as Glenn's (1992) research, Gautschi and Jones (1998) studied the influence of ethics course on the business students' ability to recognize ethical issues. They used, as a sample, 84 business students from American business schools. These students were asked to answer questionnaires that can allow the