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**Accounting Educators Prepare to Meet New
Texas Ethics Course Requirement**

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In late 2002, the Texas State Board of Public Accountancy (the Board) proposed a new educational requirement for candidates wishing to take the CPA exam in Texas. In addition to all the then existing educational requirements, the Board proposed adding a required ethics course. After public comments, the Board enacted Board Rule Section 5411.58(c), which states that “[e]ffective July 1, 2005, the board requires that three passing semester hours be earned as a result of taking a course in ethics. The course must be taken at a recognized educational institution and should include ethical reasoning, integrity, objectivity, independence and other core values” as a requirement for applying to take the CPA exam. This new requirement is in addition to, and not a substitute for, any other educational requirements that the Board has already imposed. And so begins a new era in accounting education.

Ethics is certainly not a new topic to accounting education. Traditional accounting topics such as independence, due diligence, and professionalism are all rooted in ethical concerns. In 1987, the Treadway Commission called for increased emphasis on ethics education in accounting. Subsequently, the accounting and financial scandals of the early 2000’s raised the awareness of the public to the importance of ethical considerations concerning accountants. Therefore, ethics and ethical considerations have once again become a major topic for accountants and accounting educators.

Consequently, the Board’s new requirement seemed relatively benign. But, coupled with the requirement that the Board effectively “approve” the proposed ethics course’s curriculum (thereby allowing the Board to properly grant credit to only an appropriate ethics course) and considering the rather varied possibilities of how such a class might be structured, it was suspected that many educators were somewhat taken back by the new mandate.

Surveying University Accounting Departments

As accounting educators concerned with issues related to ethics education, we found these and related issues tantalizing. A survey was developed during late fall 2003 and mailed in February 2004 to accounting department chairpersons at universities in the state of Texas. In March 2004, a second mailing of the survey was performed. In total, the response rate was surprisingly high (73%), indicating the interest of the subject to the accounting chairpersons at the various Texas universities.

The survey sought the opinions of accounting department chairpersons concerning issues related to the Board’s ethics course requirement as well as other related topics in accounting ethics education. In general, the survey was designed to elicit views as to the perceived need for the accounting ethics course; what the course should include; what academic arena should actually teach the course; what, if any, would be the new course’s impact on existing accounting courses; and what could academia do to provide a better ethical foundation for its accounting (and business) students.

How Are We Currently Preparing Our Students?

To help determine whether the new requirement is needed, it is important to gauge how well our students are *currently* being prepared academically for the ethical challenges that await them in the workplace. We found most informative the response to our question that asked whether academicians were currently preparing their students well for the ethical challenges that they would be facing. Only 11% felt the students were being *well* prepared ethically, 42% thought they were being *adequately* prepared, 44% felt the students were *not* being adequately prepared, but only 3% felt the students were *woefully* unprepared for their ethical dilemmas. This is an interesting split, but it shows that 47% of the respondents felt that the ethical preparation of accounting students was lacking. This provides support for the board's new requirement.

But is ethics education the answer? Are laws, regulations and other enforcement mechanisms more effective than an ethical education? We asked an analogous question of the department chairpersons because often we have noted that it is easy for decision-makers to hide behind governmental regulation and/or laws. These rules and regulations then develop into the so-called "moral minimum." In other words, those rules and laws-the legal (and thus the moral) minimum- become effectively the maximum amount of concern certain individuals develop for these regulated items and accordingly there is no, or little, regard to other ethical considerations. A strong majority of the survey respondents (74%) felt that "enforced" ethics (i.e., the moral minimum) would *not* be more effective than ethics education. Again, this provides support for the board's new requirement.

We then asked the chairpersons in their opinion, from a list of several potential causes, what they felt was/were the "root(s)" of the decline of ethical conduct (if any) over the last several years. Based on a scale of 1-5, 5 being the most significant, their opinions were as follows:

Greed	4.44
Short term vs. long term focus	4.23
Arrogance	4.21
Moral decay in general	3.38
Risk taking	3.26
Lack of information	2.29

Other contributing factors suggested by the respondents were, among others: competitive pressures, poor leadership, general dehumanization of our global society, and lack of enforcement. Interestingly, greed, short term focus, and arrogance were all seen as major causes of ethical lapses, but lack of information was the least significant cause of ethical lapses. These results suggest that these topics should be addressed by the new ethics course.

In the past, headline-grabbing accounting and ethical lapses have resulted in a great deal of attention being paid to ethics. But as time wore on, these concerns seemingly went

away or were ignored, particularly when the economy did well. Worried that the current emphasis over ethics might be a short-term “knee jerk” reaction, we questioned the accounting chairpersons as to whether ethical matters would be *more*, the *same*, or *less* of a concern in the next few years. We found that 25% felt ethical issues would actually be *more* important in the coming years, 69% felt the ethical concerns and issues would remain about the same in importance, while only 6% felt ethical issues would be less of a concern. Given the view that 94% of the respondents felt that importance of ethics would remain the same or get larger, the board’s new requirement appears to be a reasonable approach.

We were curious as to how many schools had, prior to the Board requirement, an existing requirement that their accounting students take an ethics course as a part of their major. Only 14% of the survey respondents’ schools already had such a requirement in place. Clearly, the Board’s new requirement is going to be a major change for many universities in Texas.

Establishing the New Texas Ethics Course

The Board’s new ethics course requirement does not mandate that the ethics course be taught in the accounting department. Nor does it require the establishment of a new course although it does require the course to be approved by the Board. Those of you not in the academic world may not realize that establishing a new course within an academic department is, to put it mildly, a rather significant effort on everyone’s part. It goes well beyond setting up a course number, name, syllabus, and deciding who will teach the course. Approvals are necessary at various levels, including from the Texas Higher Education Coordinating Board if the university is a state supported institution.

Consequently, we asked the chairpersons whether they believed the required ethics course should be specifically designed for accounting students and be taught within the accounting department. Of the respondents, 56% stated the class should be taught in the accounting department, while 44% said it could be taught outside the accounting department. These findings represent a major change from previous ethics instruction. Of the 14% of respondents who stated that their school already requires an ethics course for their accounting majors, only 33% taught that ethics course in the accounting department. Therefore, it appears that current practice at the few schools that already require ethics education differs from the perceived “best” practice of establishing the ethics course in the accounting department.

The need for an accounting specific ethics course was further confirmed when we asked how many of the surveyed schools would be developing a new ethics course or would use an existing course at their university. The vast majority of the respondents (72%) indicated a new ethics course was being (or had been) developed in response to the State Board mandate. Furthermore, when asked where (i.e., in what academic department) the class would be taught, 61% of the respondents said the class would be taught within the accounting department, while 27% said it would be taught within their college of

business. Only 4% of the respondents would rely on an ethics course outside their college, while 8% were unsure where the course would reside.

Curious whether economic considerations would impact the placement of the ethics course, we poised a hypothetical situation where adequate funding was not available to the accounting department to teach the ethics course, and then asked whether or not the chairpersons felt the ethics course could be adequately taught outside of the accounting department. Here, 69% of the respondents felt ethics could be taught outside of the accounting department, while only 31% felt it could not.

These results suggest that university accounting departments are using the Board's new requirement to justify the addition of a new ethics course in the accounting department. Furthermore, it appears that the development of the new ethics courses will result in a shift from more general ethics to accounting-specific ethics instruction. This approach appears to be an appropriate response in attempting to emphasize the accounting and business side of the ethical dilemma.

The Board's new ethics course requirement only affects students planning to sit for the CPA exam. Of course, not all accounting majors plan to sit for the exam. Therefore, one might question whether all accounting majors should be required to take the ethics course even if they are not going to take the CPA exam. Asked whether the new ethics course will be a curriculum requirement for all accounting majors, 61% of respondents said yes, while 39% said it would not be a required course of accounting majors. Curious as to whether the ethics course, however structured, would be offered as an elective to other non-accounting majors, we found that 39% stated the course could be chosen by all business majors. These results provide further evidence of the perceived appropriateness of ethics education in the accounting curriculum.

Shifting Ethics from Current Courses?

Many accounting classes already have a certain amount of ethical instruction built into the curriculum. For example, auditing and tax courses have significant amounts of ethical considerations and real world examples imbedded into the textbook and classroom discussions. However, the Board's new requirement that students be required to take an ethics class arguably could contribute to a perception that perhaps traditional accounting courses could abandon their ethics components. Continuing our curiosity of an "economic" consideration, we wondered if the respondents would use this as an opportunity to expand the core materials of some courses at the "expense" of the ethical matters currently being taught in the respective classes. In other words, we were interested whether or not the accounting chairpersons would consider shifting current ethical instruction away from existing accounting classes as a result of the new ethics requirement. We were pleased to observe only 18% said they would, while a resounding 82% said the existing courses would continue to have their current ethical emphasis.

More specifically, when the chairpersons were asked from a grouping of various traditional accounting courses which of those specific courses, if any, might have a

shifting of ethics away from the existing course to allow for more study time in the core subject, the largest response was auditing (but at only 20%), followed next by intermediate and accounting information systems each at 11%. Certainly arguments can be raised that as auditing and accounting courses become even more complex, more time should be made available in the "core" subject to adequately cover such material, but it is clear the survey respondents continue to believe ethics coverage is essential in the classroom experiences of traditional accounting classes, notwithstanding the new required class in ethics.

This result correlates with a different question which asked specifically whether ethics instruction should be only in the newly required ethics course or rather continue throughout the accounting curriculum. Just 18% of the respondents said ethics should only be taught in the new ethics course. Thus, it can be assumed that the existing emphasis of ethics in the current accounting classes will continue, with the new mandatory ethics course adding even more to the student's exposure to ethics. And this, in our view, is how it should be.

Thoughts on Further Improving Ethics Instruction

Asked how academia could improve the preparation of students for ethical challenges, a varied free-for-all of responses resulted. Some of the more provocative thoughts included:

- explain to students the pressure they will face;
- educate students about the consequences of lapses in ethics;
- have real-world case studies;
- model ethical behavior and demand ethical behavior in the classroom and in sports;
- have someone who has spent jail time for violating legal or ethical principals (or cases about such) speak with students- it needs to become real for them;
- have current business leaders who have struggled with ethical problems (both successes and failures) speak to our students, use cases and open discussion;
- emphasize the importance of integrity to personal well-being, the importance of honest accounting to business, and the importance of honest dealing in general to business;
- be a good role model for students, spend time in class distinguishing right from wrong, and explain why certain behavior is wrong even though "everyone does it;"
- act ethically, set the standard;
- point out the consequences of unethical behavior; and
- do an effective job of implementing the TSBPA ethics mandate.

Conclusion

It appears the accounting department chairpersons generally view that additional ethics instruction will be beneficial to the students and the profession as a whole. While the chairpersons may have opined that their existing curriculum should have been able to

provide sufficient ethical training already, most chairpersons also appear to be welcoming the ethics course with open arms. It is too early to predict the ultimate impact of the required ethics course, but common sense (something somewhat lacking these days, it seems) would imply that the more exposure a student has to real world issues, conflicts, dilemmas, uncertainty, and temptation in general, the more likely the student will at least pause to consider their ethical responsibility. We look forward to observing and analyzing the impact of the ethics course on students and the accounting profession.