

Ethics in Accounting



Teaching Ethics in UK Accounting Programmes: A Snapshot, Guidelines and Teaching Resources

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Executive Summary

This document details the results of research undertaken on current practices in the teaching of ethics in UK academic undergraduate accounting education, discusses what constitutes best practice in the same, and, considers key curriculum design issues facing institutions that wish to introduce or increase the ethical content of their taught accounting programmes. Finally, a contribution to best practice is made in presenting two teaching resources that can be used by academics in teaching ethics to accounting students.

The research is presented in this document as follows: a short literature review and then the methodology and results of a survey on ethics teaching (utilising publicly available data) on the flagship accounting programmes of 25 UK universities is set out in order to give a snapshot of current practices. Of this sample, the relevant programmes within 17 institutions were found to make no mention of ethics teaching, and of the remaining institutions, only 5 offered a specialist ethics module (with one of these stating that ethics teaching is also embedded in the general curriculum). Thereafter the results of two interview processes are set out: the first being semi-structured interviews with academic staff from four UK universities and the second being a series of semi-structured interviews carried out with one cohort of students who had just completed a one-semester ethics module in one UK university. Albeit involving small numbers, the survey and two interview processes reveal a range of ethics teaching practices, and divergent views on the importance of teaching ethics in UK academic accounting education.



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I Introduction

The purpose of this project was to develop guidelines and resources for the teaching of ethics in academic accounting education. This document includes (i) a review of the literature on teaching ethics in business and accounting (section 2); (ii) a snapshot of current practice in teaching ethics in accounting programmes in the UK, including a survey, some interviews with lecturers involved in teaching ethics, and some interviews with students (sections 3 – 5); (iii) a summary of selected curriculum design issues raised in embedding ethics education into the academic accounting curriculum (section 6), and; (iv) some guidelines on best practice (section 7). The final parts of this document (sections 7 and 8) include teaching resources and some guidelines on using those resources and incorporating ethics into the curriculum.

A workshop on teaching ethics in accounting education was held at the annual conference of the British Accounting and Finance Association Accounting Education Special Interest Group in May 2012. Some of the findings from the research and one of the teaching resources included in this document were presented at this workshop and the authors would like to acknowledge the helpful feedback given by the workshop participants, both via explicit comments and suggestions, and by their willing assumption of the role of students in the classroom exercise undertaken in the workshop.

The teaching resources included are designed specifically to be relevant to undergraduate accounting students but also to be usable in as wide a range of contexts as possible. They can be incorporated into a specialist ethics accounting module or they can be used at appropriate points within a non-specialist accounting module and, importantly, there is no requirement for the lecturer using the resource to be an expert in ethics. Each resource includes instructions for lecturers and outline solutions that can be used to guide a classroom discussion as well as to give feedback to students. Printable versions of the material as well as links to videos and slide presentations are provided in each case and lecturers are encouraged to incorporate and adapt these presentations to suit their own needs.

2 Literature Review

2.1 Business Education

Recent policy and literature emphasises the role of business schools in the ethical development of individuals (see, for example, Barnett, 2001, and Welton & Guffey, 2008, for debates on the role of business schools). Within both academic literature and international policy there are an increasing number of calls for a focus on ethics, starting from a belief that education does indeed have an influence on the ethical values of students who participate, and, that such influences remain after formal education and training has been completed when the individual has the opportunity to put into practice their beliefs and values in business decision-making.

First, the academic element: Alsop (2003), writing on the subject of recent corporate scandals, concludes that business schools now have a responsibility to include ethical education in their programmes in order to respond to the perceived need for increased corporate social responsibility and the accompanying requirement for ethical decision-making by managers. Smith and Lenssen (2009) debate the importance of corporate social responsibility and emphasise the role that business education plays in executive development, and the question of how to teach ethics has also been widely debated (see, for example, Piper, Gentile and Parks, 1993).

Recent research on the effects of the ethical climate on decision-making emphasise the importance of behavioural norms across society, rather than merely within a group. Shrader, Ravenscroft, Kaufman and West (2010) investigated an incident of cheating behaviour among MBA students and found that ethical climates associated with group identification have a stronger association with cheating behaviour; in particular

that where student concern for the team is high, cheating increases and students tend to rationalise their behaviour as 'a way to get by'. In a situation where most students consult with each other during work on an assignment, individuals may feel as if they are not acting unreasonably by doing so, because to work completely independently may put them at a disadvantage.

The Association to Advance Collegiate Schools of Business commissioned its own report (AACSB, 2004) into ethical education in business schools and concluded that:

"Making the world a better place" isn't the exclusive province of business schools; but business schools can - and want to - equip their students to be ethical and successful managers and leaders.'

The task force recommends that AACSB encourage its member schools to renew and revitalise their commitment to ethical responsibility both in academic programmes and extra-curricular activities.

The idea of ethical behaviour as part of a process of stakeholder engagement is widely taught in business schools and often forms an established part of the syllabi for professional accounting training. Learning materials typically include an adapted version of Mendelow's Matrix (Mendelow, 1991), such as the Power/Interest matrix in Johnson and Scholes (2002). Using this model, different groups of stakeholders (shareholders, employees, local communities etc.) are mapped onto one of four quadrants depending on, firstly, their perceived level of power to influence the decisions of the organisation and, secondly, the level of interest they are likely to have in the outcome of a particular event. The matrix can thus be used to indicate the type of relationship that the organisation might develop with individual stakeholder groups, depending on their perceived levels of interest and power. However, the use of such a model in the context of corporate strategy could be seen as a tool for managing stakeholders' demands, and potentially developing strategies to ignore such demands, as opposed to truly engaging with them.

In terms of international policy, the United Nations initiative, Principles of Responsible Management Education (United Nations Global Compact, 2007), known as PRME, aims to encourage business schools to rethink their approach to management education in a way that is consistent with the need to promote responsible decision-making by managers. At the time of writing (June 2012) there are 463 participating educational institutions worldwide who have given a commitment to adapt both teaching and research in a way that embeds corporate responsibility, ethics and sustainability. Specifically, institutions undertake to 'incorporate into [...] academic activities and curricula the values of global social responsibility' (United Nations Global Compact, 2007).

The importance of ethics in accounting education has also been recognised by the accounting profession. It is a precondition of qualification that accountants engage in a programme of structured training in ethics and, in most countries, professional accountants are bound by a code of ethics based on that developed by the International Federation of Accountants (IFAC, 2009, and ICAEW, 2010). The code sets out five fundamental principles, which guide members' behaviour:

- Integrity;
- Objectivity;
- Professional Competence and Due Care;
- Confidentiality, and;
- Professional Behaviour.

It is significant that the code is principles-based rather than rules-based, since this inherently requires an engagement with the spirit of the code and encourages 'responsibility and the exercise of professional judgement' (ICAEW, 2010) rather than merely seeking to comply with a procedure or achieve legal compliance while using loopholes to avoid undesired consequences.

2.2 Ethics teaching within the context of university education

The evidence on the impact of ethical interventions in this context is somewhat mixed – different studies have reached different conclusions as to the effectiveness or otherwise of, particularly, classroom-based interventions on individuals' moral development and decision-making processes.

O'Leary (2009) undertook a two-part study in which a class of students was given scenarios on which to make an ethical decision, the questionnaire being completed by students both before and after following an ethics course. Analysis of the data showed that students were responding more ethically after the intervention and students confirmed their own belief that the intervention had been effective. Thomas (2012) found that accounting students approaching the end of the programme made more ethical decisions than first-year accounting students and Dellaportas (2006) demonstrated that accounting students exposed to a 12-week intervention included within a course on professionalism showed significantly increased levels of moral awareness. Gammie and Gammie (2009) also demonstrated changes in moral awareness in the context of examining the implications of gender differences. Exercises designed to heighten student awareness of ethics, such as that developed by Radtke (2004) have also been used to good effect to allow students to identify what constitutes an ethical dilemma, as well as how to respond to it.

However, when Ozdogan and Eser (2007) explored the ethical sensitivity of students of business subjects in different universities in Turkey, their findings suggested that while accounting students have a higher level of moral awareness than non-accounting students, taking an ethics course made no significant difference to the ethical sensitivity of participants. Further, Dean and Beggs (2006) reported mixed evidence on the feasibility and the effects of ethics education; and O'Leary (2009) concedes that the short-term nature of his study precludes any conclusion about the long-term effect of interventions. Ponemon (1993) had previously suggested that hypothetical situations are too unrealistic and insufficiently complex to fully capture students' ethical reasoning, and recommended that accounting education interventions use ethical issues located specifically in an accounting context. Haywood, McMullen and Wygal (2004) examined the use of games, rather than traditional lectures, as a method of teaching ethics and Haywood and Wygal (2009) developed a classroom game that allowed students to expand their awareness of ethics and concluded that game play encouraged reflective thinking.

On balance, it can be concluded that appropriate interventions can significantly improve the ability of accounting students to engage in ethical reasoning. Some of the most persuasive evidence that such improvement need not be transitory, but can be long-lasting, was presented by Welton and Guffey (2008), in a longitudinal study on the effects of classroom interventions using a development of Rest's (1986) Defining Issues Test. An earlier study by Earley and Kelly (2004) had already found convincing evidence of short-term effects in four different ethical interventions.

3 Survey

The snapshot of current practice in teaching ethics in Accounting programmes in UK universities undertaken by the authors consists of three elements: (i) a small survey, (ii) interviews with four lecturers from different universities involved in teaching ethics, and (iii) some interviews with accounting students in one university on their perception of ethics teaching. This section of this document shall address the first element, the survey.

The survey was based on a sample of 25 UK universities offering undergraduate degree programmes in accounting. The universities were selected at random from the UCAS Directory. To ensure comparability, in each case a 'flagship' undergraduate single honours degree in Accounting was chosen: usually BA (Hons) or BSc (Hons) in 'Accountancy', 'Accounting' or 'Accounting and Finance'. This is to ensure that the programme selected was devoted either wholly or mostly to accounting (rather than, for example, a joint honours programme or a non-accounting programme that included elements of accounting).

In each case, information was obtained by searching the University's public website and/or online prospectus (whichever held more information about the programme) and the survey consisted of the following questions:

1. Does the course overview / introduction / summary mention 'ethics'?
2. Is there a statement that ethics is integrated into the curriculum (i.e. may be taught within modules not specifically about ethics)?
3. Are there one or more individual modules with 'ethics' in the title?
4. If so are they compulsory?
5. Where are they located in the programme?
6. Is the University a member of PRME?

Questions 3, 4 and 5 are designed to identify if part of the programme (a module or a significant proportion of the module) is devoted specifically to ethics, and, if so, whether this module is optional or compulsory and where it is situated within the programme.

The absence of a specialist ethics module does not indicate that there is no ethics content within the programme. In fact the reverse may be true and ethics may be embedded into the programme in such a way that it permeates students learning rather than being at risk of isolation in a single module. Therefore, question 2 checks whether or not the course description refers to ethics as being integrated into the curriculum. Any statement in the course overview that mentioned that ethics was included as part of the programme, or that the importance of ethics was recognised, would give a positive response to question 1.

Finally, in question 6, a check was made of the PRME listing to see if the university in question was a member. This question was included in order to identify if there was any obvious correlation between membership of PRME and giving prominence to ethics in teaching.

The results of the survey show that in many cases – 17 out of 25, more than two thirds – ethics is not mentioned at all. Only one of the accounting programmes highlights the inclusion of and importance of ethics in its course overview, and 3 others state explicitly that ethics is integrated into the curriculum. A total of 5 programmes include a specialist ethics module (1 of these also states that ethics is embedded in the curriculum). Of the specialist modules, 2 are located in year 3, 2 in year 2, and 1 in year 1 (interestingly, only this last one was a compulsory module). 8 of the universities are members of PRME.

Of course, just because there is no statement about teaching ethics within the description of the programme does not mean that there is no ethical content. A significant limitation in the methodology is that it relies on publicly available information, such as that on the University website or in its prospectus. It is not possible to conclude from this small-scale survey that few universities think that ethics should be part of an accounting programme; future research could address this in carrying out more in-depth examination of university curricula. Nevertheless, the course overview on the university's website or in the prospectus is an obvious starting point for anyone looking for information about different programmes at different universities. It could, therefore, be concluded that ethics is not considered to be sufficiently important (or attractive) in the programme of 17 of the 25 institutions examined to be highlighted in their flagship undergraduate accounting programme prospectus or the relevant university website.

The full results are reproduced below, with the names of institutions removed, and the final column showing whether any of questions 1 – 5 had a positive answer.

Table I: Summary of Results

Institution	Q1	Q2	Q3	Q4	Q5	Q6	
1	Y	N	N	N	-	Y	Y
2	N	N	N	N	-	N	
3	N	N	N	N	-	N	
4	N	N	N	N	-	N	
5	N	N	N	N	-	N	
6	N	N	N	N	-	Y	
7	N	N	N	N	-	N	
8	N	N	N	N	-	N	
9	N	Y	N	N	-	N	Y
10	N	N	N	N	-	N	
11	N	N	N	N	-	N	
12	N	N	N	N	-	Y	
13	N	N	Y	N	3	N	Y
14	N	N	N	N	-	Y	
15	N	Y	N	N	-	N	Y
16	N	N	Y	N	3	Y	Y
17	N	N	N	N	-	Y	
18	N	N	N	N	-	Y	
19	N	N	N	N	-	Y	
20	N	Y	Y	N	2	N	Y
21	N	N	N	N	-	N	
22	N	N	Y	Y	1	N	Y
23	N	N	N	N	-	N	
23	N	N	N	N	-	N	
25	N	N	Y	N	2	N	Y

4 Interviews with Lecturers

The second element of this snapshot consists of semi-structured interviews carried out via email with four different lecturers (from different higher education institutions, none of which were included in the sample in section 3, above) each with a good working knowledge of the content and structure of the undergraduate accounting programme in their institution. The questions asked were as follows, with respondents encouraged to add extra information that they thought was relevant.

1. How is ethics included in the accounting curriculum?
 - As one or more dedicated / standalone modules
 - Integrated (i.e. ethics taught within (some) modules not specifically about ethics, for example Taxation, Financial Reporting)
 - Both
 - Not at all
2. How do you think that ethics should be included in the accounting curriculum?
3. Should studying ethics be compulsory?
4. If you think ethics should be included, how do you think ethics should be assessed?

One of the interviewees at a university which had no specialist ethics module explained how ethics is embedded in several different technical modules at different levels including a compulsory year 1 module in financial accounting (ethics and fraud); a compulsory year 3 module on financial reporting (environmental and social reporting); an optional year 3 module in auditing, an optional year 3 module in taxation (tax avoidance, tax evasion etc.) and an optional year 3 module in corporate social responsibility (ethical and unethical behaviour of companies).

The same lecturer gave an insight into the lack of standalone ethics modules by explaining that “a whole module on ethics (given that we have [only year-long] modules) would perhaps be a bit of a stretch” adding that it was better to have ethical considerations included in every subject.

In answer to the question of whether ethics should be a standalone module or spread across different modules (the embedded approach), another interviewee suggested that programmes should use *both* approaches: arguing that a specific ethics module conveys a message about the importance of ethics, but that it is applicable to all aspects of accounting and therefore should be integrated into the study of technical areas such as financial reporting, tax, auditing etc.

One interviewee explained how ethics was integrated into the flagship undergraduate accounting curriculum of their institution:

“Yes, but not usually in a direct way. e.g. when discussing a subject such as tax avoidance, the ethical debate will be mentioned, but we might say, for instance, that this is a moral dilemma for individuals and we may say that these are the possible consequences to stakeholders of tax avoidance, without necessarily mentioning the word 'ethics' or adopting a particular ethical stance”

It was also highlighted in interviews that there exist a number of accounting programmes with modules in ‘corporate social responsibility’. While it is reasonable to assume that ethical content forms a significant part of such modules, they would not be categorised and counted as ethics modules in the survey element of the snapshot. This is not considered to be a weakness of the survey methodology, however, as ‘ethics’ and ‘corporate social responsibility’ are not interchangeable.

There was an added comment by one of the lecturers interviewed on the link between the recruitment criteria of accounting firms and the importance that students accord to acting ethically:

“Do any of them have this as a stated competency on the basis of which they recruit? Do any of them have ethical dilemmas as part of the case studies/interviews/other recruitment procedures? If they did - then automatically the interest in ethics in the young generation will increase as they will have a self-interest in exploring what that means. Maybe that already happens. I am not sure that is the case though.”

5 Interviews with Students

The third element of this snapshot addresses the student perspective. As part of ongoing research into ethical attitudes and classroom-based ethical interventions, a series of semi-structured interviews was carried out with one cohort of students who had just completed a one-semester ethics module in one university. For the purposes of the interviews, students were divided into small groups of between four and six. This research engaged with the University's Research Ethics policy, and students were assured that their responses would be anonymous and during the conversations referred to each other only by number.

It should be noted at this point that these interviews were conducted by the lecturer, and it is, of course, possible that students would have been tempted to give answers that they thought would be well received. In an attempt to avoid such responses, it was emphasised at the start of each set of interviews that the research was an attempt to discover, rather than evaluate, opinions and responses and that a negative response would be as valuable as positive ones. While it would be impossible to conclude that some students did not at least consider their audience in expressing their opinions, it is reasonable to accept what was said at face value, at least for the purposes of assessing student reactions to studying ethics as part of a classroom course.

The interviews started with an open question designed to elicit discussion "Are you at all interested in ethics? Do you think it is important?" Many respondents expressed surprise that ethics featured in an accounting programme: "I was surprised to start learning it on this course, surprised that it was one of the modules that we covered"; and some expressed a clear lack of interest in the subject: "I think it is important but personally I don't take a great interest in it".

Students were also aware that a business may be motivated to appear to act ethically by more than altruistic concerns"

"I think speaking for business you need to be slightly ethical – 'cause if you're unethical you might put people off using your business and it could be a disadvantage."

"It's becoming more relevant, overall, from what I gather, so it's probably a vital part of needing to know about it now."

A more specific question was then asked: "Do you think it's important for accounting students to study ethics?" (Again, it was emphasised that the interviewer was not looking for confirmation of University policy or established programme content and students' answers showed a lack of consensus.) Many responses were clear in their dismissal of the relevance of ethics to accounting:

"I don't think it helps that much as an accountant. It's more if you're in business, like if you're a senior manager of a business, would probably be helpful, useful to you, but as an accountant I can't really see, but it's still a good thing to learn and know."

"I think with ethics you can't really put a value on it, so in a way it's not normally useful to accounting."

"I think we'd get by without studying it."

"I think to a certain degree but it's not, I don't think it's vital vital."

"I think there'd certainly be other courses that perhaps ethical behaviour would again be perhaps more relevant to their learning than accountancy."

However, some responses showed more nuanced views: three students commented that it may be helpful "but it isn't essential", though one added "it may be important to have the knowledge of that side of business: The sometimes challenging nature of studying ethics was recognised and welcomed by some respondents:

“I suppose though, as an accountant, you probably do need to know, like have a background knowledge, not like full detail, full blown, every single law, every little bit that could possibly come up but you need to have a background...yeah basic knowledge. But it is quite confusing a lot of it. I think the way we’ve done it, you’ve gone into it in quite a lot of detail, and personally it’s thrown me quite a bit. But I think it is good to know about it still.”

One student identified the different roles that the accountant may play in a business and related the importance of ethics to the position and responsibilities of the accountant. “It depends what sort of role the accountant has got in the business, really. If the accountant’s there just to crunch the numbers, or if they’re there to actually help make decisions and put points of view across.” As part of the same conversation, another respondent made the point that ethical discussions could be relevant to everyday life: “you do tend to notice more things around you that have kind of ethical dilemmas and the different choices you could make”.

The challenge of discussing ethical dilemmas with no right or wrong answer, and the divergence between traditional technical subjects with well-defined content (financial reporting, taxation etc.) and a more nebulous, discursive subject such as ethics is reflected in student’s difficulty in articulating their opinions on the role of ethics within accounting:

“As a subject, I don’t know. It’s a bit, kind of...can’t explain it. I can see how it fits in with the context to business and it should always be at the back of your mind, in a way, but in a way, to try and... I don’t know what I’m saying here!”

6 Summary of curriculum design challenges

Curriculum design issues, or *how* to incorporate ethics into the accounting curriculum, may be considered from two perspectives, conceptual and practical. The first requires an answer to the question of ‘what is ethics?’, or, more precisely, ‘what is taught in an ethics course?’. Is it teaching codes of conduct or is it debating philosophy? It would be possible to base ethical content around technical knowledge of codes of ethics, for example the IFAC Code, the UK Corporate Governance Code 2010, etc. and using this approach ethics would be taught in a similar way to financial reporting or taxation, requiring students to know and interpret rules or principles, decide whether behaviour was appropriate according to these given regulations, and, possibly, to critically analyse the content of said regulations.

However, it could be argued that such a purely technical approach is not only intellectually undesirable for an academic programme, but also ineffective in promoting an ability to make ethical decisions: university students should be invited not only to question the assumption that accountants have an ethical responsibility but also the methodology used to analyse behaviour. Given the nature of the subject, it is likely that individuals will have differing opinions about what constitutes ethical behaviour, therefore an approach of a philosophical nature, which encourages discussion and exploration of ideas and opinions, can work more effectively than one which starts from the assumption that certain behaviours (such as objectivity) are desirable. If ethics teaching includes debates on broader questions of philosophy, morality and politics then students will develop a conceptual understanding of the role of ethics in society. Students will “be in the position of evaluating the educator’s moral arguments [and] all moral beliefs, both the students’ and the professor’s, must be subjected to rational analysis and criticisms” (Mackin, 1980).

On a practical level, a key issue identified both within the literature and by lecturers is whether ethics should be taught as a standalone module or whether it should be integrated across modules. One key advantage of having a dedicated ethics module is that the importance of ethics is emphasised: it is treated as a subject in its own right in the same way as more traditional, technical areas such as management accounting, taxation, organisational behaviour etc. It becomes impossible to ignore, whereas if ethics is integrated into other

subject areas it is possible, even likely, that the proportion of time, and marks, allocated to ethics within each module is low enough to make it feasible and even tempting to ignore. A standalone module implies at least one assessment devoted to ethics and thus students perceive benefit as well as interest in devoting time and effort to the subject. There is no obvious conclusion to be drawn from existing studies as to which approach is more effective and this is an opportunity for future research.

An unavoidable question, relevant to business education in general but particularly of concern to accounting lecturers, is how to include ethics in an already crowded curriculum. Most undergraduate accounting programmes offer their graduates exemptions from professional examinations and to achieve this there must be a match between the syllabi of the examinations set by the professional institutes and the syllabi of the university programme. With increasing demand from students for professionally relevant qualifications and an increasing amount of technical knowledge required of accountants, there is a simple problem of 'not enough hours in class' to add anything which is perceived as not directly relevant to exemptions.

A counter-argument is that while technical detail can be quickly learned and forgotten, an appreciation of the importance of ethics is essential for an understanding of the role of a professional accountant. Furthermore, a university education seeks to do more than simply facilitate a student's acquisition of technical competence; there is a powerful argument for including ethics within the accounting curriculum because it is relevant to the future career of the student as well as to develop in students the skills necessary to analyse and respond to complex, challenging situations. An opportunity for future research thus exists in the area of investigating in more detail *how* to include ethics in the curriculum without sacrificing existing desirable content.

7 Best practice guidelines and conclusions

The review of literature in the areas of the role of universities in general and classroom-based ethics teaching in particular emphasises the important and effective contribution that universities can make. There is an increasing recognition that ethics awareness and good practice is a desirable characteristic of a business, and therefore a professional business advisor – such as an accountant – also needs to appreciate the role that ethics plays in business management. The requirement for chartered accountants to (i) engage in a programme of structured training in ethics during professional qualification and (ii) act in a way that is consistent with a code of ethics once qualified demonstrates the commitment of the profession to the notion of ethical responsibility.

The evidence from classroom-based interventions (typically, courses or part-courses in ethics), while mixed, includes enough examples of positive impacts to suggest that ethics teaching can be effective. While an objective of simply 'making students behave more ethically' may be unjustified and unrealistic, there is ample evidence to suggest that appropriate teaching and learning in ethics can significantly improve the ability of accounting students to engage in ethical reasoning and encourages students to respond to ethical challenges in a considered way.

The snapshot survey undertaken appears to show that only a small proportion of accounting programmes have any significant ethical content, at least to the extent that such content is prominently advertised. However, as noted in the review of the results, the absence of a specialist ethics module does not indicate that there is no ethics content within the programme, simply that it may be incorporated into the programme in a different way. It is, however, disappointing that relatively few courses highlight ethics as being a significant part of the curriculum, at least not in a way that would highlight its importance to potential students seeking information about the course via UCAS or via university websites.

The interviews with lecturers and students suggest that it would be overly simplistic to conclude that there should be a dedicated ethics module in every programme – indeed such an approach may be impractical for two reasons. Firstly, there is a significant pressure on curriculum space. There is a requirement for dedicated modules and assessments in all the key technical areas relevant to professional qualification (financial

reporting, taxation, management accounting, audit, finance etc.) and to add an ethics module may risk either overloading the curriculum or eliminating some other subject area. Secondly, a single, possibly optional, module in which all ethics content is located runs the risk of isolating and marginalising the subject to the extent that students fail to perceive any relevance to ethical debate in the key areas of accounting activity, such as auditing and taxation. One of the interviews with lecturers revealed that ethics was indeed included throughout the three years of an accounting programme and that individual lecturers made an effort to introduce an ethical dimension into their coverage of a subject.

It is, therefore, appropriate to conclude that ethics should be included in accounting curricula, and that it should be embedded into programmes of study, with appropriate links made between technical subjects and ethical considerations. Auditing and corporate governance are obvious places to make such links but other areas such as financial reporting, taxation, organisational behaviour and finance are also relevant. Furthermore, where ethical content is embedded in the curriculum this should be reflected in course descriptions and marketing information. Within class, students should be encouraged to debate ethical questions and to use their developing academic skills to consider the ethical implications of financial decisions. It *may* be appropriate, though it not necessary or always practical, to introduce a dedicated ethics module; what is important is that the teaching and learning are structured in an effective way in order to encourage students to recognise ethical questions and to respond in a considered way to ethical challenges.

The two teaching resources included in this report provide opportunities to incorporate ethics into the accounting curriculum. They are intended to be used in a classroom environment, can be used either within a dedicated ethics module or as part of a classroom session on ethical questions in a non-specialist module and are written in such a way as to be suitable for use anywhere within an undergraduate programme.

8 Teaching Resource 1: Corporate social responsibility

8.1 Introduction

The notion of corporate social responsibility (CSR) is relevant to business ethics because it incorporates the suggestion that businesses have a responsibility to consider all their stakeholders rather than simply to “maximise profits for shareholders to the exclusion of all else” (Freeman, 1984). A ‘stakeholder’ of a business is any individual, group or organisation that is, or could be, affected by a business and its activities.

8.2 Activities

The following activities are based around the question of what the responsibilities of a business should be and why. Questions are designed to encourage and explore the arguments for and against CSR and to consider the differences between individual behaviour and corporate activity.

Background: definitions of CSR

CSR incorporates a wide spectrum of responsibilities and terms such as ‘corporate responsibility’, ‘corporate citizenship’ and ‘responsible management’ are also well known and often used imprecisely and interchangeably. This exercise focuses on the general question of CSR rather than requiring a detailed analysis of different terms and schools of thought.

A working definition of CSR could be: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2010).

Background: arguments for and against CSR

The fundamental issue surrounding CSR is how much, if any, is required by corporations to satisfy the ‘need’ of society. Murayama (2006) suggests that “particularly in today’s globalizing market when business activities

easily transcend beyond national boundaries, companies must take into account every possible impact of their business activities.” Okoye (2009) noticed concepts of CSR dating back to the 1930s and in the Harvard Law Review found a quote from Dodd (1932) who “pointed out that substantial strides were being made in the direction of a view of business as an economic institution with both a social-service and profit-making function”.

On the other hand, many theorists argue that CSR is unnecessary and unethical. Friedman (1970) argued the only social responsibility of business is to increase its profits, and not to indulge in social interventions such as sponsorship of community activities, funding of charities, community activities or other ‘good deeds’. This stance recognises that business are created and run in order to generate economic benefit i.e. to increase shareholder wealth. In this respect, attributing social responsibility to a business is not only irrelevant but actually wrong, in the sense that the financial objectives of a business are then confused with the social objectives of individuals who happen to be affected by the business.

Data

Table 2: Top five highest earners in their relevant fields from 2011:

Company	Revenue 2011 £ million
Exxon Mobil	312,897
Royal Dutch Shell	302,438
Wall-Mart Stores	287,502
BP	248,591
Vitol	191,046

Footballer	Annual Earnings 2011 £ million
Cristiano Ronaldo	9.5
Lionel Messi	8.3
Fernando Torres	7.9
Yaya Toure	7.9
Wayne Rooney	7.5

Questions

Question 1:

Produce three brief justifications for multinational corporations adopting CSR.

Question 2:

Is it appropriate to expect businesses to accept responsibility for improving society?

Question 3:

Is it appropriate expect highly paid individuals e.g. footballers, to contribute to society?

Question 4:

How does corporate social responsibility compare with an individual acting ethically in their community?

Question 5:

How can businesses, organisations which are assumed to be profit-seeking, take on societal responsibilities?

8.3 Guidelines for using the resources and feedback to students

Aim

The aim of this activity is to encourage students to discuss the concept of CSR, and to consider some of the main arguments for and against. By situating the concept into today's real-life companies and individuals, students can consider who is able to follow through with such responsibilities and who should adopt CSR practices. By including corporate entities and individuals in the exercise, students can also consider the question of whether ethics is a matter for individuals alone or for companies as well. The activity should encourage debate among students, as it is likely that within a class there will be opposing viewpoints. The idea is to get students talking, to stimulate interest and to encourage academic argument. Key quotes and influential theorists, such as Friedman, can be introduced as a starting point for discussion. With sufficient guidance through the opposing viewpoints within the debate, the activity should spark an interest in the subject upon which students can further research and understand the fundamental principle of CSR, and how it affects today's society and business environment.

Guidelines

This activity is intended to be used in a classroom situation. Depending on the size of the class, the lecturer may divide the students into a number of groups. Our experience is that groups of between four and six students are sufficient to generate opposing points of view while encouraging each individual within a group to contribute. It should be remembered that ethics is likely to be perceived as being outside an Accounting student's area of expertise and so smaller groups are preferable to encourage each individual to offer their arguments in a 'safe' environment. This is particularly relevant if this activity is situated within a Year 1 curriculum at a time when many students are new to a university environment and need more confidence in contributing to group discussions and formulating arguments.

In preparation for the activity to begin, we ask students to find one or more simple definitions of CSR. (This is an example of how internet-connected smartphones can be used to good effect in a classroom environment.) We also give a brief introduction to the CSR debate and the history of CSR going back to the 1920s. A display of quotes from both sides of the argument may kickstart a discussion or be used as a prompt when a group's conversation stalls, perhaps the Dodd (1932) and Friedman (1970) quotes.

We then divide the students into small groups as explained above and give each group a copy of the introduction, background information, data and the questions. We set a time limit for discussions: around five minutes per question. After this we ask students to present their group's viewpoint(s) to the rest of the class and develop a plenary discussion. Students can use these activities as an opportunity to develop their note-taking and presentation skills.

After the class, we make some suggestions for additional reading in the area of corporate responsibility. Most business ethics textbook will include a significant amount of material and we recommend Fisher and Lovell (2009), page 9ff. A well-known and challenging academic paper on the boundaries and responsibilities of a business is Ruth Hines's conversation between the master and the student (Hines, 1998).

Feedback on questions

The following outline solutions are not model answers as such, but they contain relevant points to discuss. They are intended to help the lecturer to guide small group or plenary conversations and to provide students with suggestions for arguments to make and feedback on their ideas. Feedback on questions 1, 2 and 3 includes some key arguments in bullet point format; feedback on questions 4 and 5 consists of a sample outline answer.

Question 1:

Produce three brief justifications for multinational corporations adopting CSR.

- It is the right thing to do (ethical behaviour is good).
- Helping the community around where the business operates is a way of giving back. A positive image to locals may encourage their use of the business.
- There are financial benefits, such as Marks and Spencer plc's Plan A that earned £50m profit in 2010.
- In a highly media-subjected society, ethical practices can gain positive advertising for the company.
- The business will be likely to comply with legal requirements.
- Without being ethical, it is hard to be competitive nationally and internationally.

Question 2:

Is it appropriate to expect businesses to accept responsibility for improving society?

For:

- A company acting ethically can have a huge impact on its stakeholders, meaning if the policy was to only source products from other ethical companies, it could massively affect the supply chain forcing other companies to take on an ethical policy, which in turn could have a knock-on effect.
- Considering worldwide organisations now, the impact they have on the world is extensive due to their large market and their working across many areas. For this reason, a refusal to act ethically would almost certainly adversely impact further expansion and could result in a reduction of 'workable' areas.

Against:

- A company has one purpose, making profit to ensure the financial stability and future of the business.
- How can one organisation have enough of an effect to 'correct the world's ills'? And how can it be sensible to ask for or expect ethical behaviour when people differ in their opinion of what constitutes ethical behaviour?

Question 3:

Is it appropriate to expect highly paid individuals, e.g. footballers, to contribute to society?

For:

- These people have a house, a car and everything they could possibly need, once that is paid for what can they possibly spend millions upon millions on? Why not use the 'excess' money to contribute to the community or world at large?
- In American football (for example) players have community service requirements and charity event attendance written into their contract. It is part of their job to set a good and ethical example not only to their fans, but also to the world at large. It is not about the players donating their own money to any specific cause, but their arrival at such events brings publicity, and publicity brings money and awareness, which in turn aids both the player and the charity.

Against:

- These people work for their money in the same way any 'normal' individual works for their money. Why should they be expected to contribute the money they worked for to help others?
- These highly paid individuals are paid these large sums of money because society allows it to happen. It is not the individuals' fault that such a high price is put on certain talents by society. The government could take responsibility for achieving social objectives by increasing taxation on high earners.

Questions 4 and 5:

How does corporate social responsibility compare with an individual acting ethically in their community? How can businesses, organisations which are assumed to be profit-seeking, take on societal responsibilities?

There has been much debate surrounding whether only human beings have an ethical responsibility for their actions or whether corporations have an ethical responsibility too. The debate has also brought into question whether there is a difference between ethics and corporate social responsibility (CSR); ethics as being applied to individuals and corporate social responsibility to corporations.

CSR can be described as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2010). The difference has been a focal point of many studies, with some believing CSR is a commitment to do business to benefit the community at large, whereas ethics is dependent upon a person’s conscience. The two concepts are often related to each other and the relationship is a point of argument: ethics is described as a part of CSR by the Institute for Supply Management (ISM) while other commentators, for example MacDonald (2010), believe that CSR is part of business ethics.

“With corporations playing an increasingly influential role over very many aspects of social and political life, the demand for more accountability and responsibility on the part of corporations is unlikely to diminish” (Fisher and Lovell, 2009). The argument presented is that the more power corporations have, the more responsibility they should have. A famous quote by Churchill illustrates concisely for the same point: “The price of greatness is responsibility” (Churchill, 1943).

Fisher and Lovell also make the point that many corporations are now more powerful than the majority of governments and thus have the power to be able to make significant changes (Fisher and Lovell, 2009). Using a utilitarian approach (seeking the outcome that will produce the greatest good for the greatest number), corporations may, for example, face a policy decision where the choice is between increasing protection for the environment and increasing profits for shareholders. However, implementing even small procedural changes can have a huge impact on the environment in which the business operates without having a negative impact on profits, for example an office implementing a paper-recycling bin to ease landfill and stop unnecessary cutting of trees: a small change in an office can create a much larger environmental impact, particularly if small changes are repeated many times over in a large business. Similarly, a small amount of time spent on researching the most ethical suppliers can send a clear message to suppliers, thus creating economic incentives for ethical behaviour.

On the other hand, in the UK, the Companies Act makes clear that directors have a duty to act in the best interests of the shareholders (in order to maximise their wealth). Vermaelen (2009) echoes Friedman in arguing this point. “Managers have a fiduciary duty to maximise the wealth of shareholders. Externalities such as the consequences of business decisions for the environment have to be dealt with by the government.” The idea that “the social responsibility of business is to increase its profits” (Friedman, in *The Economist*, 2011) is still current. The argument runs that if businesses are set up to make profits, the ethical responsibility lies with the individual: corporations are legal persons but not natural persons, they are not human and so have no conscience. Individuals, in their role of shareholders, can influence for better or worse the actions taken by the company in which they have a financial investment.

However, the UK Corporate Governance Code 2010 “sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders”. (Financial Reporting Council, 2010). Even though the code has no legal force, it could be in the best business interest of corporations to implement it as it requires consideration of all stakeholders. The argument here would be that ethical businesses appear more attractive to concerned customers and consumers, it is often in the best interests of a company to comply with the UK Corporate Governance Code 2010 to avoid appearing to be unethical and losing business as a result. Ultimately, poor ethics may lead to lower profits and lower shareholder payouts.

Note: references relevant to this sample answer are included in the References section at the end of this report.

Further discussion

Depending on the time available, students may be asked to make a more detailed presentation or submit written work on the issue of corporate responsibility. The sample answer, above, to questions 4 and 5 is a non-exhaustive consideration of some of the key elements of the central question of whether or not ethics can or should be a corporate responsibility. Put simply, should corporations have a conscience or is it just their shareholders that want to sleep at night?

8.4 Additional Resources

Introductory video: http://www.youtube.com/watch?v=S_bgP3ASUM4

Please see HEA website for printable classroom resource (TRI-CSR Handout) and PowerPoint presentation (TRI-CSR Presentation).

9 Teaching Resource 2: Values in decision making

9.1 Introduction

At a corporate level, decisions are often guided by established policy, policy being written to reflect the corporate mission or values. At an individual level, personal values play a significant role in the decision-making process. Moral imperatives (“it is wrong to kill”) may conflict with pragmatic attempts to maximise utility (“an attacker can be killed to spare many more innocent people from being killed”) and a decision-maker will be more or less influenced by different values, depending on the decision to be made as well as on the individual’s beliefs, attitudes and values.

9.2 Activities

Background

You are an advisor to the Aritus Charity: a large, well-known and respected charity dedicated to improving treatment for those suffering from easily curable diseases prevalent in underdeveloped countries where basic sanitation is often lacking. A donation of £10 million has recently been made to the charity and the donor requested that it be used in the treatment of either redfever or bluefever or both, as the charity sees fit.

The estimated cost of successfully treating one redfever patient is £100, and the estimated cost of successfully treating one bluefever patient is £20. Assume that each treatment has an equally high chance of success and that increasing or decreasing the amount of money spent on one condition has proportional benefits (i.e. doubling the funds allocated to redfever would always double the number of patients successfully treated).

In response to each of the questions in the scenarios given below, state how much of the £10 million you would advise the charity to spend on redfever (with the remainder being spent on bluefever). Respond to each question individually and do not go back and change your answer to previous questions.

Questions

Question 1

Based on the costs of courses of treatment given above, £10 million would cure 100,000 people of redfever or 500,000 people of bluefever.

How much do you spend on redfever?

Question 2

Redfever tends to be contracted in crowded buildings such as schools and hospitals because it is transmitted very easily via air; it can be caught by anybody irrespective of age and lifestyle. However, bluefever is only transmitted via direct contact and is strongly associated with people who have chosen certain socially undesirable lifestyles and habits, specifically promiscuity and poor personal hygiene.

How much do you spend on redfever now?

Question 3

There is an increased awareness of redfever. Internationally influential pressure groups are campaigning to increase the amount spent on redfever, and a review commissioned for the World Health Organisation recently recommended increased resources be allocated to redfever by health charities. The higher profile of redfever means that more facilities are available for aftercare and follow-up advice on how to prevent recurrences.

How much do you spend on redfever now?

9.3 Guidelines for using the resource and feedback to students

Aim

Students are encouraged to consider and discuss the problems of resource allocation, in this case within the context of health, and to consider the practical and emotional difficulties involved in making health care decisions using financial measures, in other words putting a price on health. By giving the students three scenarios, and introducing new information each time, the exercise illustrates what values students use in their decision-making. While all three scenarios require a single numerical answer, the exercise is really designed to encourage discussion and debate of the criteria, and therefore the values, which students are using in their decision-making.

Guidelines

This activity is intended to be used in a classroom situation. Depending on the size of the class, the lecturer may divide the students into a number of groups. Our experience is that groups of between four and six students are sufficient to generate opposing points of view while encouraging each individual within a group to contribute. It should be remembered that ethics is likely to be perceived as being outside an Accounting student's area of expertise and so smaller groups are preferable to encourage each individual to offer their arguments in a 'safe' environment. This is particularly relevant if this activity is situated within a Year 1 curriculum at a time when many students are new to a university environment and need more confidence in contributing to group discussions and formulating arguments.

Both the introductory video (on the subject of paying for fertility treatment) and the exercise itself (a shortage of money to fund treatment of curable diseases) are uncomfortable subjects for discussion. Although it is a fact that resources for health care are finite, and financially trained professionals are dealing with similar, arguably more complex, situations regularly, the lecturer needs to ensure that the subjects are handled sensitively and to be aware that students may have had first-hand experience of health care rationing in a personal context. It is partly for these reasons that this resource utilises a fictional charity and two fictional diseases.

Because the exercise is about dealing with scarce resources we introduce the concept of utility, and this provides the opportunity to review some of the basic tenets of utilitarianism. We may ask students to offer explanations of utility and descriptions of utilitarian ethics. The meaning of economic utility will be familiar to students who have studied some basic economics, as many accounting students do. A quote from a writer such as Bentham may be useful to start a discussion in general terms before moving into the specifics of the exercise.

We firstly ask students to read the introduction (or we present the activity) and then we ask students to answer the three questions on an individual basis. We tell students to respond to each question one at a time, and not to go back and change previous answers. Then we divide the students into small groups as explained above. We set a time limit of around 10 to 20 minutes for group discussion in which we ask students to present and defend their answers. We finish off with a plenary discussion that summarises the main points that students have made, and we take the opportunity to emphasise that financial criteria are often used in decision-making outside an obviously financial context.

The calculations in question 1 are intended to emphasise to the students that they are accountants, and that they should be prepared to use their technical skills in decision-making. This exercise is intended to be used in Accounting education, although it can of course be used in a different context. Although the calculations are very straightforward, students with poor mathematical skills (especially if this exercise is used in Year 1) will benefit from an explanation of how algebra has been used. Asking mathematically able students to explain the calculations to fellow students is a good test of their ability to communicate technical information to a non-technical audience, and expecting students without a Mathematics background to understand emphasises the importance of basic mathematical techniques in presenting and interpreting financial information (breakeven analysis, discounting, etc).

Feedback on questions

Question 1

Based on the costs of courses of treatment given above, £10 million would cure 100,000 people of redfever or 500,000 people of bluefever.

How much do you spend on redfever?

This question illustrates the concept of utility. Redfever costs £100 per treatment whereas bluefever costs only £20 per treatment. In other words five patients can be treated for bluefever at the same cost as treating one patient for redfever. In utilitarian terms, the greatest benefit to the greatest number of people will be achieved by spending the entire £10 million on bluefever; because for every £100 diverted from redfever to bluefever, one more person will suffer from redfever but five more people can be treated for bluefever, so in net terms for each £100 spent, four extra people can be treated.

This approach, option A in the table below, means that 500,000 patients are treated. If you chose to spend all the money on bluefever your decision-making is greatly influenced by considerations of utility.

Spending all the money on redfever, option B in the table below, achieves minimum utility (only 100,000 patients treated) in the sense that it is the least efficient use of funds.

An alternative approach, one that may appeal to a sense of fairness, would be to divide the money equally between the two diseases. Option C in the table below shows that the effect of doing so is to significantly reduce (relative to option A) the total number of treatments offered.

A variation on this approach, rather than spending equal amounts of money on each of the two diseases, is to divide the money in such a way as to achieve an equal number of treatments of each of the two diseases: option D in the table below shows the results of this approach, which results in an even lower number of total treatments.

If you chose option C or D your decision-making is not influenced at all by utility, but rather by a sense of fairness or justice. Because of the different costs of treating redfever and bluefever, to achieve a target of 50% of treatments being of each disease, 83% of funds must be spent on redfever. These calculations can be done very easily using simple algebraic equations as shown below:

£10 million funding is available in total; it costs £100 for each redfever treatment and £20 for each bluefever treatment.

If we say that r = the total number of redfever treatments, and b = the total number of bluefever treatments, then we can present a linear equation as follows that describes the different ways in which the total funds could be spent.

$$100r + 20b = 10,000,000$$

If we then decide to divide the £10 million evenly (i.e. the amount spent on redfever should be equal to the amount spent on bluefever, £5 million each) then we can say:

$$100r = 20b = 5,000,000,$$

$$\text{So } r = 50,000 \text{ and } b = 250,000$$

If we decide to ensure that there are an equal number of treatments each disease, then we can solve our equation as follows:

$$\text{If } r = b, 120r = 10,000,000,$$

$$\text{So } r = b = 83,333$$

Even individuals who are heavily influenced by utility may be uncomfortable spending no money at all on redfever. Although logically, to maximise the number of patients treated, no funds should be allocated to redfever, emotionally this may be more difficult to accept. Option E in the table below shows the effect of allocating an arbitrary, small amount of funds to redfever. There is a small reduction in the total number of patients receiving treatment for an illness (total treatments), but both diseases are now recognised.

Data

Table 3: Different allocations of the funds					
	redfever money	redfever treatments	bluefever money	bluefever treatments	total treatments
A	0m	0	10.00m	500,000	500,000
B	10.00m	100,000	0m	0	100,000
C	5.00m	50,000	5.00m	250,000	300,000
D	8.33m	83,333	1.67m	83,333	166,667
E	2.00m	20,000	8.00m	400,000	420,000

Question 2

Redfever tends to be contracted in crowded buildings such as schools and hospitals because it is transmitted very easily via air; it can be caught by anybody irrespective of age and lifestyle. However, bluefever is only transmitted via direct contact and is strongly associated with people who have chosen certain socially undesirable lifestyles and habits, specifically promiscuity and poor personal hygiene.

How much do you spend on redfever now?

By changing the situation in question 2, a new consideration is introduced. Although utility is maximised by spending all funds on treating bluefever, it is now implied that patients with this disease may be less deserving

than patients with redfever, because their lifestyle choices have put them at increased risk of contracting the disease. If in question 2 you increase the amount of money that you spend on redfever (that is you spend more on redfever in question 2 than in question 1) then you are making decisions based on a perception of how deserving, or otherwise, sufferers are. If a promiscuous lifestyle goes against your own personal moral code, then you may well significantly reduce the amount of funds allocated to bluefever.

Question 3

There is an increased awareness of redfever. Internationally influential pressure groups are campaigning to increase the amount spent on redfever, and a review commissioned for the World Health Organisation recently recommended increased resources be allocated to redfever by health charities. The higher profile of redfever means that more facilities are available for aftercare and follow-up advice on how to prevent recurrences.

How much do you spend on redfever now?

Finally, question 3 gives you more information about the complex environment in which this decision has to take place. While this may make the scenario somewhat more realistic, the aim of question 3 is to determine whether your decision is influenced by the wider policy and medical environment in which it takes place. If so, you may have considered the perspectives of different stakeholders and tried to make a decision that takes some of those perspectives into account. If you increase your spending on redfever in question 3, relative to in question 1, then your decision-making is highly influenced by the environment, rather than principles such as utilitarianism, or maximising the number of patients treated.

9.4 Additional Resources

Introductory video: http://www.youtube.com/watch?v=_ZvyqFLfbCw

Introductory news article: <http://news.bbc.co.uk/1/hi/health/251988.stm>

Please see HEA website for printable classroom resource (TR2 –Ethics Handout) and PowerPoint presentation (TR2 – Ethics Presentation).

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