

## **ACCOUNTING STUDENTS' PERCEPTION OF ETHICAL DILLEMAS IN POLAND**

### **Abstract**

The article presents the results of a survey performed in a public university of economics among accounting students. Research confirms students' awareness of ethical dilemmas that occur in accounting practice. A contribution of this survey is students' little understanding of social responsibility incorporated in accounting related jobs. As a result of this pilot study, new research areas were described that are connected to incorporating ethics into accounting classroom.

**Key words:** ethical decision making, accounting ethics, accounting education.

### **Introduction**

Modern financial crises and bankruptcies of international companies highlighted the ethical aspects of management of modern enterprises: missing and/or non-compliance with ethical standards in a workplace. Risky unethical behavior is ubiquitous in economic life and is an essential aspect of the profession related to a management of assets. High professionalism combined with unshakable morals and shaped personal attitudes are very important elements in determining the quality of the management of enterprises. Persons engaged in accounting have a special role to play in this management process, because they prepare the information supplied to a wide range of stakeholders. The accounts of the company are not only the digits, the amounts and the accounting documents. Accounting in today's enterprises is subject to making a lot of choices and estimates, that affect not only the effectiveness of company but also decisions of other investors. Nowadays accountants should act with respect to the accuracy and timeliness of information, and should be aware of social responsibility of an entity doing business in a society.

The article presents an analysis of the collected survey purposed to indicate whether accounting students of University

of Economics in Poland are aware to ethical dilemmas inherent with modern accounting and whether there are differences in the receipt of ethical dilemmas in accounting by non-working and working students. Awareness and understanding that ethical dilemmas are inherent elements of accounting jobs are important for two reasons. Firstly, the present students are future businessmen, accountants, tax advisers or auditors. Secondly, today's perception of ethics' level in accounting practice will affect their attitudes to the profession and their own ethical decisions in future.

### **Ethical dilemmas in accounting**

Numerous studies were presented in English-language literature concerning ethical dilemmas, students' perceiving and awareness to ethical choices' decision making, and the assessment of business world and the moral rights, therein shall govern. The results of different studies indicate that according to students, unethical behavior is very common in nowadays business world [6]. At the same time, studies showed that, despite students' high moral standards and a critical assessment of the level of ethics in today's business life, 86% of economic students participated in various forms of cheating during studies [5]. Researchers showed that economic faculty students were more likely to cheat compared to other faculty students [1; 3; 4; 8]. Many researchers confirm that students are aware of the existing links between business and ethics, but their sensitivity to specific dilemmas varies and depends on age, gender, the average ratings on studies, or year of study. Surveys confirmed the need to integrate ethical issues into accounting courses, so that an accountant will know how to make responsible decisions in compliance with his ethical standards. Ethics in accounting teaching does not provide answers to moral dilemmas, because ethics are different among employees in multicultural organizations. Ethical education teaches future accountants and future auditors how to make decisions based not only on legal regulations, but also with regard to their own moral beliefs, that are based on good, high quality arguments consistent with ethical code of a decision maker [2].

Since today, no research was conducted in Poland concerning awareness of ethical dilemmas of accounting faculty students. Also little attention was paid to issues of professional ethics in accounting in Poland. Creating the legal framework of the Polish accounting convergence of national regulations with international standards have attracted most attention of researchers. Moreover, Polish literature concerning business ethics does not include studies on social responsibility in accounting, although social responsibility in Polish literature is well established. Sensitivity to corporate social responsibility in accounting is widespread increasingly, based on belief that companies influence not only employees and contractors, but also affect society, in which they operate [7]. Promoting social behavior of companies and informing of undertaken social activities by -for example - disclosures in financial statements is used to build the image and reputation of the enterprise.

Ethical issues in accounting should be seen in three dimensions [9]:

- 1) individual moral code of a decision maker,
- 2) organization (entity), in which decision maker works and to whom the decision relates,
- 3) communities, in which the entity operates.

Each of these dimensions affects accounting decisions and should be included in the decision-making process. Famous experiment conducted at Stanford University by psychologist Philip Zimbardo proved that even the most right people in a specific environment (organization) may ease off moral principles.

Multidimensional aspects of decision-making in accounting show complexity of the problem, but primarily the need for a multi-disciplinary approach to ethical dilemmas in accounting. It is not enough to know legal regulations to make a fair decision in accounting. Decision making process includes also an in-depth analysis of probable effects of alternative solutions to a wide range of entity's stakeholders.

### **Description of the studies conducted**

The research has been performed in the form of anonymous survey conducted among accounting faculty students of public University of Economics. The test has been carried out during

accounting courses, however participation in the survey was voluntary and did not involve any reward. Respondents were divided into non-working and working students.

Answers to the questions asked were collected using seven-dimension Likert's scale, which was used to measure the opinions of respondents on specific allegations. Choosing «1» indicates that student strongly disagrees with the statement, while the choice of «7» means that the student strongly agrees with the specified claim.

Beyond 9 questions concerning accounting ethics in the questionnaire, there was one claim about cheating in school. Only a few students took a chance to identify examples of unethical behaviors they witnessed or experienced during school years in an open question stated at the end of the questionnaire.

There were three hypotheses stated in the study:

1. Students are not aware of ethical dilemmas that they will challenge during their accounting careers.

2 . Accounting jobs do not involve social responsibility that derives from public trust's profession.

3 . Avoiding taxation is not considered to be an unethical behavior.

Both hypothesis and reported findings were intended to obtain preliminary information about an understanding of the importance of ethical aspects in the accounting context. Questionnaire applied to the sensitivity and understanding of the ethical dilemmas and social responsibility in accounting. According to the above, there are situations in which behaviors are considered illegal and unethical. There are also situations in which behavior incompatible with the law can be judged as ethical. An example of such situation is hypothesis No 3 in the field of social permissions on the avoidance of taxation.

Table 1 shows the results of the analysis of statistical data collected in the surveys.

The study shows that up to 85% of respondents agree or strongly agree that ethics is of great importance in accounting environment. None of the respondents chose «strongly disagree». Therefore hypothesis No 1 was rejected; accounting faculty students are aware that

**Table 1.** Descriptive statistics.

Statements	The average	Standard Deviation (Difference)	Min	First quartile	Means	Third quartile	Max
Ethics is of great importance in accounting jobs	5,74	1,33	2	5	6	7	7
Codes of ethics applied by companies influence the raise of employees morale	4,88	1,37	1	4	5	6	7
Taking care of social (public) welfare is a responsibility of accountants	4,48	1,52	1	3	5	6	7
Accounting professionals must be aware to social problems in company's setting	3,81	1,69	1	3	4	5	7
Employee should primarily be guided by its own interest while resolving ethical dilemmas at work	2,53	1,49	1	1	2	4	6
Low morale of accountants badly affects social reputation of the profession	5,49	1,44	1	5	6	7	7
Low morale of members of a specific community harms the public	5,67	1,2	2	5	6	7	7
Avoidance of taxation is unethical	5,29	1,74	1	4	6	7	7
Avoiding taxation acts to the detriment of the company	4,34	1,76	1	3	4	6	7
Cheating in school is unethical	5,2	1,76	1	4	6	7	7

their future work will involve ethical dilemmas' problem resolving. However, the survey did not examine their sensitivity to ethical dilemmas in specific situations and problems to solve. Other questionnaire with specific ethical dilemma in accounting could clarify understanding of ethical dilemmas by respondents.

That kind of survey seems to be important, because 15% of the respondents has not succeeded in deciding whether specific problem - tax avoidance - is ethical or unethical behavior (marked "I don't know"). The same percentage of students expressed that the avoidance of taxation is ethical.

Moreover, the results of research confirm that acceptance of tax avoidance exists (hypothesis No 3 accepted). That finding may be linked with the results obtained in the field of social responsibility accounting. 41% of students state that accountants do not need not be sensitive to social problems occurring in company's setting. Low awareness of social responsibility among accounting faculty students was confirmed in statement 3, too. 27% of respondents answered «strongly disagree» or «disagree» with the statement: "Taking care of social (public) welfare is a responsibility of accountants". Students' respondents are convinced that low morale of a specific community members will harm the community, but this belief is less stronger in relation to the accounting professionals.

The study did not find the correlation between recognizing school cheating as ethical (or unethical) and the lack of accounting dilemmas awareness or ethical acceptance of tax avoidance. The results obtained are consistent with the tests carried out in the understanding of ethics by students. It was found that ethical rules depend on persons' perceiving and it is possible that a person has different ethical codes for different areas and issues. Thus, for example the person may consider cheating in school unethical, but at the same time regard tax avoidance as ethical.

Based on Mann-Whitney U test, study found statistically significant differences (at  $p \leq 0,05$ ) regarding three statements between two groups of students: non-working and working students study (see table 2;  $p \leq 0,01$ ).

**Table 2.** Descriptive statistics for non-working students and working students.

Statements	NW – non-working W – working	The Average	Standard Deviation	Maximum	Minimum
Statement 1	NW	5,45	1,43	7	2
	W	6	1,19	7	2
Statement 2	NW	4,6	1,3	7	2
	W	5,13	1,39	7	1
Statement 3	NW	4,2	1,6	7	1
	W	4,73	1,42	7	1
Statement 4	NW	3,43	1,6	7	1
	W	4,16	1,71	7	1
Statement 5	NW	3	1,59	6	1
	W	2,11	1,28	5	1
Statement 6	NW	5,28	1,34	7	2
	W	5,69	1,5	7	1
Statement 7	NW	5,6	1,17	7	3
	W	5,73	1,23	7	2
Statement 8	NW	4,83	1,85	7	1
	W	5,71	1,53	7	2
Statement 9	NW	4,15	1,66	7	1
	W	4,51	1,85	7	1
Statement 10	NW	4,95	1,84	7	1
	W	5,42	1,67	7	1

Working students were more aware of tax avoidance and social problems. Working students more frequently disagreed with the statement that while resolving ethical dilemmas at work, employee should primarily be guided by his own interest. The differences observed between two groups may result from the fact, that working students might already have some accounting experience. The

results obtained confirm the assumption made by the author that awareness grows during working-years according to experience. On the other hand, lack of ethical education during accounting studies may lead to copying co-workers behavior. Training ethics during the years of accounting career only, may easily lead to bad habits, because knowledge of young accountants will be largely based on observation and copying of behavior they observe in the organization. Ethical education during school years assures that young people choose occupation being aware of ethical dilemmas inevitable connected with accounting profession. Ethical education of future accountants and future auditors, that starts at school and continues during professional life, may help professionals to learn how to defend their own opinions based on ethical personal codes. As accountants are subject to pressure from company's management, it is especially important to be able to prepare wide-range justification of the decision made. Well prepared justification takes into account aspects of personal's and entity's social responsibility and personal code of ethics. Introducing ethical education into accounting courses will also enrich and broaden ethical dilemmas discussion and will help coming up with possible universal solutions to some ethical dilemmas in accounting.

To sum up the results of the survey, two main limitations of the survey must be stated. The survey included 85 students only of one public university in Poland. A small number of respondents was a consequence of exemption of questionnaires without all answers and doing a survey exclusively among accounting faculty students. The study did not specify respondents according to gender, age or other demographic factors, because it was aimed to prove/reject stated hypotheses and was supposed to outline future research field in the range of awareness to ethical dilemmas and to search for new educational methods to teach ethics in accounting courses.

## **Summary**

The study shows that students are aware that accounting work is inevitably connected with ethical dilemmas. However, the perception of specific ethical dilemmas prevailed in survey suggests that ethical awareness of accounting



faculty students is low. That suggests that decisions they will make in their future accounting careers may not involve ethical aspects of chosen solutions. The lack of awareness of social responsibility in accounting, may indicate a risk that they will not include all parties influenced by ethical dilemma in their future decision-making process. Large number of students who judged tax avoidance to be ethical, confirms existing acceptance of such social behavior among people at large.

Presented results of the survey confirm the need to include ethics and social responsibility into training process of future accountants and into continuing education of persons already in the profession. Incorporation ethics into the learning process will serve the prestige of the profession and will foster trust in the profession. It is extremely important, because meaningful and high-standard code of ethics is a hallmark of every social trust profession.

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