

## Facing Ethical Dilemmas as Professional Accountants in the Future: Do They Aware?

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### ABSTRACT

Accountants often face ethical dilemmas, so appropriate ethical decisions and actions are needed. Accounting students must be able to identify ethical dilemmas. This study aims to get an overview of the ability of accounting students to identify the ethical dilemmas faced. This research uses an exploratory method through an in-depth interview with internship accounting students in government and private institutions. The results showed that students currently participating in the internship program could feel and identify ethical dilemmas in their work. They can identify the procurement of equipment and services used for personal purposes, empty notes, and the fraudulent in preparation of financial statements. However, factors of superior pressure, position in work, work environment and organizational culture force them to remain silent and or carry out the ethical dilemma practices they face. These results show that business ethics learning methods have not been able to encourage interns to make decisions and take ethical actions.

**Keywords:** Accounting Students, Ethical Decisions and Actions, Ethical Dilemmas, Moral Awareness, Internships.

## **INTRODUCTION**

Various financial scandals over the past few decades have proven the role of accountants in that situations. These financial scandals include Enron, HealthSouth, Worldcom, Countrywide Financial, Barclay's bank, and SNC-Lavalin (Sheehan & Schmidt, 2015). Ethical dilemmas are often regarded as "common" things that have become part of the routine. In the end, they are no longer considered as a problem. This condition can be one of the triggering factors for financial scandals from small to large scale because the process of justifying these actions that have been carried out frequently will make accountants "insensitive" or unable to identify and feel ethical dilemmas. Therefore, the ability to recognize and feel ethical dilemmas in the initial stage is very important in forming moral consciousness. Furthermore, the accountant can take appropriate ethical decisions and actions based on ethical rules and norms.

To improve the ability to recognize ethical dilemmas is through business and professional ethics lecture materials. Accounting students are prospective professional accountants in the future. Accountants' success in their professionalism depends on the student's understanding of ethical standards and dilemmas (Ismail, 2014). Accounting students are expected to have adequate ethical knowledge through business and professional ethics lecture materials (Moosmayer, 2012).

Several studies have discussed the relationship between ethical dilemmas, ethical decisions, ethics education, and accounting students (Arfaoui, Damak-Ayadi, Ghram, & Bouchekoua, 2016; Cameron & O'Leary, 2015; Sin, Reid, & Jones, 2012; Thomas, 2012) but only focus on student studying business ethics in the classroom. This research focuses on accounting students that participate in the internship program. Internship programs are voluntary for all accounting students, and the accounting department usually facilitate internships through collaborations with government and private sectors. Students are also usually freed to find their internships according to their needs and interests. Some of the benefits obtained from the internship program include: gaining experience directly through the process of learning, understanding the reality of the work, and the career position in the future (Parker, Kilgo, Ezell Sheets, & Pascarella, 2016). Through this program, accounting students can also interact directly with workers. This situation is expected to make students "more sensitive" or better able to identify the possibility of ethical dilemmas based on the understanding from the learning process in the classroom, and make appropriate ethical decisions and actions based on ethical rules and norms.

This study aims to explore the ability of accounting students to identify and feel the ethical dilemmas in the internship program. Furthermore, this study describes how ethical decisions and actions are made and the factors that affect them. The results contribute to developing learning methods for business and professional ethics courses.

## **LITERATURE REVIEW**

### **Ethical Education**

Ethics education aims to improve students' understanding of ethical responsibilities and practices (Liu, Yao, & Hu, 2012). Understanding of ethics is easier to obtain when students are directly involved in the working environment than through the traditional classroom learning process, where ethical questions are abstract (Loeb, 2015). The integrated learning process and working experience can increase students' sensitivity to ethical judgment (Martinov-Bennie & Mladenovic, 2013). In the working environment,

Accountants can develop moral awareness for supporting ethical decision. Lectures help accounting students meet these expectations and make it easier for them to understand their profession as accountants in the future (Reinstein & Taylor, 2017). Various teaching methods are used during the ethical learning process in the classroom, both active and passive methods (O'Leary & Stewart, 2013).

### **Ethical Dilemmas and Moral Awareness**

The ethical dilemma has two points of view, namely as an ethical consideration based on claims to actions that have been done correctly and actions that are usually done when a person is faced with certain conditions. Ethical dilemmas are part of the psychological factors in the human being that lead to moral judgments regarding what can or cannot be accepted (Conway & Gawronski, 2013). The main factors that contribute to the ethical dilemmas are humanity and solidarity (Robinson, McKenna, & Rooney, 2021). Some research on ethics explains that moral awareness is affected by education, experience, political view, gender, and academic performance (Christensen, Cote, & Latham, 2016). Students in the accounting department tend to recognize ethical dilemmas more quickly than others (Sweeney & Costello, 2009).

### **Ethical Decisions and Actions**

Business ethics provides an unequivocal statement that ethical decisions are very important and are expected to be realized (Deno, 2018). Ethical decision-making is influenced by two factors: individual and organizational factors (Costa, Pinheiro, & Ribeiro, 2016). The first factor is related to decision-makers, while the second relates to decision-making (Ford & Richardson, 1994). Ethical decisions stem from the results of rational thinking or unconscious emotions (Haidt, 2001; Weaver, Reynolds, & Brown, 2014). Affective and cognitive factors also contribute to moral judgement and decision (Greene, 2007; Greene et al., 2008; Greene, Morelli, Lowenberg, Nystrom, & Cohen, 2009; Pizarro & Bloom, 2003; Saltzstein & Kasachkoff, 2004).

## **RESEARCH METHOD**

### **Informant's Description**

Researchers use the exploration method to obtain more in-depth information according to the conditions and situations faced by informants. Several criteria determine the informant of this study

based on the objectives of the study, which consist of:

1. Students of the class of 2018 who have passed the Business and Professional Ethics course (this course is offered in semester VI) and participated in internship programs, both in Government and Private institutions;
2. The period of the internship program that students participate in is at least six months;
3. Students occupy an internship position in the finance division or division that has close relevance following their competencies and are directly involved in the work or activities carried out in the division.

The number of informants who meet these criteria is six people, namely informant A, informant P, informant K, informant R, informant H, and informant E. Use of the initials of the name, is deliberately used to protect and maintain the confidentiality of the informant's identity.

### **Method of Collecting Data**

The data used in this study are primary data obtained directly from informants following predetermined criteria. Data collection was carried out through the in-depth interview

method. The type of interview conducted is a semi-structured interview, where the researcher has prepared several questions that will be given to the informant, but the question may develop according to the informant's answer. The interview process is carried out directly with the informant without intermediary media. This interview activity was carried out intensively within 2 (two) months to get a comprehensive results following the research objectives.

### **Data Analysis**

Data analysis refers to (Creswell, 2015), which is divided into four stages:

1. data transcription, namely the process of making transcripts according to the results of interviews conducted with informants;
2. Categorization, namely the process of sorting and categorizing data that has relevance to the research objectives;
3. Verification, namely the process of re-checking the data obtained so that the validity of the data can be accounted for;
4. Interpretation and description, i.e., the stage of connecting and determining patterns of two or more categories of data to obtain phenomena, findings, and meanings of the relationship.

## **RESULTS**

### **Ethic in Student's Perception: Is It Important?**

The informants in this study had an adequate understanding of ethics. This understanding is obtained through the learning process during the Business and Professional Ethics course. Informants can generally explain the meaning of business ethics, where ethics is an action taken based on ethical rules and norms in company, society, and between individuals. Informants also explained that they increasingly understood the concept of business ethics in completing case studies assignment and intensive discussions about the accountant's code of ethics.

Ethics, according to informants, also plays a very important role because it will influence the ethical decisions and actions, whether in appropriate based on ethical rules and norms. They realize that learning about ethics is very important because it can be used as a guideline for ethical judgment when entering professional work. They argue that ethics education should also combine with case studies that discuss ethical dilemmas issue. The integrated learning process and working experience can increase students' sensitivity to ethical judgment (Martinov-Bennie & Mladenovic, 2013).

### **Facing Ethical Dilemmas: Can They Identify it and What They Do?**

An ethical Dilemma is a condition or situation of problems that make an individual challenging to choose between two alternatives action as a professional (Figar & Đorđević, 2016). Ethical dilemmas can be felt by individuals at every job, including internship students. This research shows that informants can identify conditions that cause ethical dilemmas when participating in internship programs. Students in the accounting department tend to recognize ethical dilemmas more quickly than others (Sweeney & Costello, 2009).

The interview results illustrate that the informant was able to recognize the circumstances that led to an ethical dilemma. They pointed out several circumstances that triggered the occurrence of ethical dilemmas, including procurement of equipment and services for personal gain, the use of blank notes in spending (informant A), and the creation of fictitious note-based operational reports (informant P). furthermore, informant

K explained that he encounter an ethical dilemma quite seriously, where the superior asked him to manipulate the financial statements that would be used to propose funds to third parties. Informant K also explained that some purchases could not be traced, so they had to input in another account. Here is an excerpt of an interview with the informant:

*"I felt the dilemma when making office operational reports. This is not a new thing I have seen because when organizing on campus, also I see someone making notes. Even though ethically, this should not be done." (Informant P)*

*"I felt the dilemma when making office operational reports. This is not a new thing I have seen because when organizing on campus, also I see someone making notes. Even though ethically, this should not be done." (Informant K)*

### **Ethical Dilemmas: Factors affecting Ethical Decisions**

Ethical decisions are influenced by individual and organizational factors (Costa et al., 2016). Two keywords were obtained from interviews with informants: integrity and understanding ethics. Integrity is the attitude or state of an individual that shows consistency over actions, values, and principles that lead to honesty. Based on the information obtained from the informant, high integrity can help the informant make ethical decisions in the ethical dilemma conditions. Otherwise, low integrity is easily affected by organizational pressure and tends to take unethical decisions.

An ethical understanding is obtained from the learning process. The learning process helps informants to identify the ethical issues. In the context of ethical dilemmas, good ethical decisions are strongly influenced by the understanding of ethics in the learning process. When a person has felt the benefits of ethics education, their behaviour will be influenced by ethical knowledge (Varma, 2019). However, based on the interview result, the informant's understanding of ethics alone is insufficient for ethical decision-making. Ethical decisions are more dominated by organizational pressure factors and ignoring their business ethics learning. Some of these factors have been identified as determinants of ethical decision-making. The interview results show that several keywords influence the decision of ethical dilemmas, namely, superiors pressure, work experience, work environment, organizational culture, and understanding of the code of professional ethics.

The first factor is the superiors pressure. The ethical dilemma occurs because of the superior's instructions to do a certain thing that is contrary to value. The instruction puts the subordinate on two conditions whether to follow it or comply with existing moral standards. The second factor is work experience. The internship period followed by the informant is at least six months. They do not have enough work experience yet. Informants who are interns are considered very vulnerable to being directed to do anything. This certainly causes informants to experience ethical dilemmas when performing their duties and responsibilities in the workplace. The results of the interview excerpts show that their position is very vulnerable to being in an ethical dilemma.

The third factor is the working environment. The informant can identify the ethical issues that he encounters at the internship. The work environment can increase or decrease the intensity of the ethical dilemma faced by informants. Informant K explained that the average worker is used to tolerating unethical acts. Meanwhile, informant A explained that he was in a positive environment, so fewer unethical actions occurred. The fourth factor is organizational culture. Every organization or workplace has a habit carried out for generations by agency employees. Workplace culture will shape a particular agency's

characteristics and image. Organizations that are accustomed to carrying out unethical behaviour make individuals behave unethically. Such unethical behaviour is influenced by self-interest (Varma, 2019). The informants (informant P and K) stated that unethical acts had occurred for generations so that he could only follow them.

The fifth factor is an understanding of the code of professional ethics. The code of professional ethics becomes a guideline for everyone to carry out actions based on ethical rules and norms. The Code of Ethics regulates the actions of individuals that can and cannot be performed when working as an accountant. Professional ethics aims as a system of control for individuals to act in the right direction and goals, without a self and group interest and any intervention from others. Based on the informant's description, professional ethics influences ethical decisions. They explained that the code of ethics is a code of conduct that accountants must understand and apply.

## **DISCUSSION**

Learning about professional ethics has been obtained by every informant because every accounting student must take business and professional ethics courses. The results of the interview excerpts showed that each informant was aware of the occurrence of an ethical dilemma due to a discrepancy between the ethics of the profession studied and the instructions of the superior. When making a decision, each informant realizes this is contrary to the ethics of the profession being studied, so it causes a dilemma.

A good understanding of ethics still cannot prevent fraud in accounting activities. The informant also stated that an understanding of ethics alone without internalizing it in self would not be able to make sound ethical decisions. The findings are consistent with previous research showing that ethical learning in the curriculum has increased students' ethical sensitivity (Armstrong, Ketz, & Owsen, 2003; Welton & Lagrone, 1994). However, the learning process according to the curriculum has not been able to assist students in making ethical decisions and actions. Cameron & O'Leary (2015) show that ethical learning cannot improve students' ethical behavior.

Improvement of learning methods of business and professional ethics needs to be carried out in order to assist students in making ethical decisions. Most informants already understand professional ethics and can determine what actions are allowed or not. However, when making decisions, this understanding is not used in decision-making because most informants follow the orders of superiors or leaders. It is influenced by the status and position of informants who are not supportive of providing complaints or defences against improper actions. Ethical learning cannot improve the moral attitude of students. Therefore, ethical learning methods in universities need to be further reviewed (Cameron & O'Leary, 2015). There is information from informants related to improving professional ethics learning in the future, namely the provision of case studies or real examples that discuss solutions to the ethical dilemma they experience and by relying on a good understanding of professional ethics and integrity in self. Here is an excerpt of an interview with the informant:

*"The learning of professional ethics on campus is good, lecturers also teach well, but they are not given real examples. Because when in the field, it is very different from the learning gained on campus, self-reflection from the many case studies and examples of ethical dilemmas in the workplace can create a fortress from within to stick to the code of ethics and integrity." (Informant P)*

*"In the future, it may be more of an example of the real situation that we will face in real terms because when we go directly on the field, there are many dilemmas experienced, but because the examples do not support it in the lesson, so we cannot be confident of maintaining the code of ethics." (Informant K)*

Cameron & O'Leary (2015) explain that teaching ethics is very important in accounting education. With the improvement or preparation of further business ethics modules (curricula), students may become better managers when dealing with ethical issues in the workplace (Varma, 2019).

## **CONCLUSION**

Ethical dilemmas can be felt by individuals at every job, including internship students. Ethical dilemmas occur due to the choice to follow specific directions or adhere to the specific moral standards. The study found that informants were able to identify and feel ethical dilemmas. They are in a state of following certain directions or the standards of values. Furthermore, this study shows that factors of individuals such as; integrity and ethical understanding are not strong enough to limit unethical actions. Organizational environment pressures such as; superiors pressure, work experience, work environment, organizational culture, and understanding of the professional ethics code greatly influence ethical decision-making.

The findings of this study have implications for evaluating learning methods for business and professional ethics. Ethics learning not only contains an explanation of ethical concepts and case studies but also explains the consequences of the unethical actions it entails. The depiction of the consequences of behaviour can limit the individual's unethical behaviour.

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## **DECLARATION OF CONFLICTING INTERESTS**

The authors declare that there is no conflict of interests.

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