Attitudes of Students and Practitioners Regarding Ethical Acceptability of Accounting Transactions

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ABSTRACT

This study reports the findings of a study assessing the acceptability differences in decisions made by Certified Public Accounting practitioners (CPA) and students studying to become CPAs. The study responds to researchers' call for additional research on topics related to accounting decision ethics. Modified managerial and accounting recognition scenarios were used to collect the acceptability of ethical judgments. The analysis employs factor analysis to affirm whether the scenarios are managerial or accounting recognition decisions. The analyses further divides the managerial decisions into either revenue or expense related. The accounting recognition decisions are further divided into those involving an accounting manipulation or inventory related. Students' acceptability of the accounting transactions was far harsher than the practitioners. However, both students and practitioners considered the accounting scenarios to be unethical. Both students and practitioners judged the managerial revenue scenarios to be ethical but the managerial expense scenarios to be moderately unethical. In addition to the ethical acceptability of accounting transaction, student and practitioner demographic data including age, work experience and academic credentials are investigated to explain the differences.

INTRODUCTION

During the past decade, corporate scandals, fraud and financial report restatements have been persistent in the news headlines. Critics of the accounting profession claim that these events are the product of poor professional judgment, especially poor ethics. Lam and Samson (2005) report cleverness and creativity have replaced the traditional honesty and integrity which characterized accountants of the past.

This study reports the findings of an investigation aimed at assessing any differences in ethical decisions made by accounting practitioners (CPAs) and students studying to become CPAs in East Texas. This study responds to researchers (Keith et al. 2009; Valentine and Bateman 2011; Klimek and Wenell 2011) who call for additional research on topics related to the ethics of accounting decisions. The investigation used modified managerial and accounting recognition scenarios used in previous studies (Merchant and Rockness 1994; Grasso et al. 2009). In addition to determining decision making tendencies, de-

mographic variables such as age, work experience and academic credentials were investigated in an attempt to explain the differences.

ETHICS TRAINING

Accounting educators have responded to the claim for more ethical awareness by modifying curriculum to cover ethical studies and training (Bernardi and Bean 2006; Haas 2005). Professional Accounting Boards have also responded to the call to modify accounting curriculum. The Texas State Board of Public Accountancy's (TSBPA) Behavioral Enforcement Committee received lots of complaints against CPAs who did not understand the Rules of Professional Conduct. Initially the focus was on providing a greater understanding of those rules. In January 1995, Texas initiated the ethics continuing professional education (CPE) requirement (TSBPA 1994) which requires each licensee to complete a two-hour mandatory ethics CPE course every three years. The ethics requirement changed again in January 2005, to a four hour biennial mandatory ethics CPE update (TSBPA 2004).

PLACE IN THE ACADEMY

The TSBPA requested Texas colleges and universities to include a state board approved ethics course in their curriculum effective July 2005. The requested ethics course attempts to raise the level of ethical reasoning utilized in public accounting and became a requirement for those applying to sit for the CPA exam in Texas. According to Barbara Stooksberry (personal correspondence to authors, March 4, 2011), TSBPA Publications Editor, "forty-five Texas schools had ethics courses in place for the fall semester of 2004 so that their students would be able to meet the 2005 ethics requirement." Stephen F. Austin State University (SFASU) began offering a required discrete accounting ethics course that met the TSBPA criteria in the fall semester of 2004. The University of Texas at Tyler (UTT) also began offering a general business ethics course in the fall 2004 semester. The UTT class met the TSBPA criteria but was not required: instead it was highly recommended for accounting majors.

Effective 2008, Maryland was the second state to require those applying to take the CPA exam to complete a three-hour course in business or accounting ethics (Mintz and Morris 2008). Beginning 2014, the educational requirements for CPA licensure by the California State Board of Public Accountancy includes a three-hour course in accounting ethics or accountants' professional responsibilities (AccountingCoach 2011). Additionally, Ohio requires an ethics course for candidates who do not have a graduate degree in accounting (Aghimien and Fred 2010).

Several studies focus on whether students' moral and ethical reasoning can be positively influenced by a discrete course in accounting ethics (Dellaportas 2006; Welton et al. 1994; Armstrong 1993; Thompson et al. 1992; Lampe 1996). According to researcher Rest (1986), additional education is an important factor to increase the development of moral reasoning. That ethics education matters is well supported in the literature (Dellaportas 2006; Welton et al. 1994; Armstrong 1993; Thompson, et. al. 1992; Lampe 1996). In addition, Lau (2010) reports that ethics education improved students' ethic awareness and moral reasoning.

The Association for the Advancement of Collegiate Schools of Business's (AACSB 2004) Ethics Task Force embraces the need for ethical training and recommends member schools renew and revitalize their commitment to ethical responsibility at both the individual and organizational levels. As a condition of accreditation, the AACSB requires the inclusion of ethics instruction in any business degree program (Amlie 2010) and demonstrate this commitment throughout their academic programs (Bernardi and Bean 2006).

The members of the American Institute of Certified Public Accountants are also subject to its ethics rules (Mintz and Morris 2008, 102). According to Aghimien and Fred (2010) over half of the states require candidates that successfully pass the CPA exam to complete and pass an ethics exam prior to obtaining a CPA license or certificate.

Prior to 2000, business ethics had a low profile. During the early 2000s given SOX, Enron, WorldCom, Arkadelphia, Tyco, Xerox, Health South, and other exposed events, business ethics was in the limelight and a very high concern. Currently, the concern and emphasis on ethics is relaxing somewhat (Magnet 2011). The recent problems with mortgage companies and financial institutions remind educators that accounting programs still need to emphasize ethical conduct and behavior.

CPA ETHICAL TRAINING IN TEXAS

Researchers Hurtt and Thomas (2011) report survey findings that asked the entire population of Texas CPAs licensed between 2005 and 2010 about their attitude toward the required academic ethics course for the CPA exam and the biennial ethics update required of those who hold CPA licenses. Their study finds a positive perception of the impact of the required three-hour college ethics course. The respondents report that the required course improves their abilities to recognize ethical issues and enhances their decision-making abilities as well as identifying the ethical framework of making decisions (p 34). The study also finds a much less favorable impression of the biennial ethics update as compared to the required course in their academic program.

Contrary to the Hurtt and Thomas (2011) findings that licensed Texas CPAs were not impressed with their required biennial ethics training, The Texas State Board Report (TSBPA 2010, 11) reports that the disciplinary actions taken against CPA licensees in Texas declined 43 percent in 2006 when compared to 2005. The declining rate continued through 2009. A comparable decline during the 2005 – 2009 period was found for the CPA license holders in East Texas. During the six years, 2006 through 2011, only 270 complaints were recorded by the TSBPA. Of these complaints, 3.3 percent were for discreditable acts that include unethical behavior. In the last three years, no discreditable act complaint was filed against East Texas TSCPA members (Stooksberry personal correspondence to authors, August 18, 2011). This data supports the conclusion that the required biennial ethical training produces results.

THIS STUDY

This study focuses on the ethical acceptance of accounting transactions of accounting professionals and those who aspire to become accounting professionals in East Texas. With the TSBPA adoption of required continuing ethic CPE training for Texas accounting professionals and required academic ethics course for students who aspire to sit for the CPA exam in Texas, this study investigates if any difference exists in the ethical acceptability of accounting transactions between the East Texas TSCPA members and students.

This investigation is restricted to those accounting professionals (N=803) practicing in the East Texas region serviced by the East Texas Chapter of the Texas Society of Certified Public Accountants (ETCTSCPA). The East Texas Chapter is the sixth largest TSCPA chapter in Texas and its members represent 20 counties in North Eastern Texas. Exhibit 1 compares the East Texas Chapter members' information to that of the members in the Texas state-wide TSCPA organization that were used by Hurtt and Thomas in their 2011 survey. As displayed in Exhibit 1 the East Texas TSCPA members have held their CPA certificate for a longer period than their state-wide colleagues, fewer work in industry, they tend to be female, and are somewhat older than their state-wide associates.

The students in the investigation (N= 612) are studying to become accounting professionals at the two four-year higher education institutions that offer the TSBPA criteria that meets all requirements to take the CPA exam - SFASU and UTT. The students are classified as juniors, se-

EXHIBIT 1
Comparison of East Texas to State-wide Membership

	East Texas TSCPA Chapter	State-wide TSCPA Membership
Years holding CPA		
0 – 5 years	12.6%	17.1%
6 - 10 years	10.4%	8.8%
over 10 years	77.0%	74.1%
Employment		
Public practice	34.9%	33.7%
Industry	28.3%	34.3%
Sole practitioner	19.2%	14.3%
Ed/ Government	6.7%	4.4%
Other	10.9%	13.3%
Gender		
Female	56.8%	59.6%
Male	43.2%	40.4%
Age		
35 and under	16.7%	19.3%
36 - 49 years	23.9%	26.0%
50 and older	59.4%	54.7%

niors and master program students that have elected to study the curriculum necessary to sit for the CPA exam. The use of human subjects in the investigation complies with applicable university policies at both SFASU and UTT.

Data was collected through the use of a modified questionnaire developed by Merchant (1989) and used by other researchers (Burns and Merchant 1990; Merchant and Rockness 1994; Grasso et al. 2009). The questionnaire consists of 13 short scenarios that describe possible questionable operations or accounting management decisions at a hypothetical manufacturing firm. The financial data in the scenarios were amended using the Consumer Price Index to change amounts from their original 1989 values to comparable 2010 values (US Department of Labor 2011).

The study participants are asked to evaluate each scenario by indicating their judgment as to the ethical nature of the transaction using the following scale:

- 1 = ethical decision
- 2 = questionable decision
- 3 = moderately unethical decision
- 4 = seriously unethical decision
- 5 = totally unethical decision

The scenarios are designed to respond to operating decisions or to an accounting decision that would normally be part of an audit review (Exhibit 2). Scenarios 1, 2, 3, 5, 6 and 7 address management operating decisions whereas the remaining scenarios address accounting decisions.

Data Collection

Survey Monkey was used to email the questionnaire to the study participants. Only 700 valid email addresses were available for the practitioners. Of the questionnaires sent to the accounting professionals, 225 were returned for a 32.14 percent response rate. Of the 612 emailed to students, 133 were returned for a 21.7 percent response rate. Each of the response rates is consistent with social science survey results (Kaplowitz et al. 2004). The responses from both accounting professionals and students were divided into early and late responders. Analysis found no significant differences between the two groups of responders suggesting that nonresponse bias did not impact the results.

Findings

Exhibit 2 displays each of the scenarios included in the questionnaire together with the decision basis and whether prior studies that used comparable scenarios found them to be ethical or not. In general, prior studies found the managerial decision scenarios to be ethical (Merchant and Rockness 1994; Grasso et al. 2009). The same studies found the accounting decision scenarios to be unethical.

This study disagreed with the Merchant and Rockness (1994) and Grasso et al. (2009) studies regarding the level of unethical managerial decisions but agreed with their findings concerning the accounting recognition decisions.

Types of Accounting Transactions

The thirteen different accounting transactions were analyzed utilizing a Principle Components Analysis with rotation using SPSS Version 19. Prior to performing the analysis, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaiser-Meyer-Orkin value was .64 (Kaiser 1974; Tabachnick and Fidell 2007). The Bartlett's Test of Sphericity (Bartlett 1954) obtained a Chi-Square of 1364.4 with df 78 and significant at .000 which supports the factorability of the correlation matrix.

The analysis revealed the presence of four components with Eigenvalues greater than one. An inspection of the screenplot revealed a clear break after the fourth component. The rotated factor matrix is presented in Table 1. The four factors explain 61.18 percent of the variance of the 13 transactions. All of the transactions load on one of the four factors. A majority of the large coefficients are positive, indicating the factors have the same directionality as the original value, i.e., large values indicate an unethical rating and small values indicate an ethical rating.

The first two factors appear to represent dimensions discussed by Burns and Merchant (1990) as accounting manipulations. Three accounting scenarios loaded on the first factor that involves a manipulation of inventory recognition. Four accounting scenarios loaded on the second factor that represents the manipulation of accounting or accounting recognition. Scenario 8, Prepay

EXHIBIT 2				
#	Ethics Study	Decision Basis	Ethical or Unethical	
			Prior studies	This study
1	The organization's headquarters building was scheduled to be painted in 2011. Since profit performance was way ahead of budget in 2010, the COO decided to have the work done in 2010. Painting contract amount: $280,000	Managerial decision	ethical	ethical
	The following information applies to situations 2 and 3. The COO ordered the organization's employees to defer all discretionary expenditures (e.g., employee travel, advertising, hiring, maintenance) into the next accounting period so that the organization could make its budgeted profit target. Expected amount of deferrals: $300,000			
2	The expenditures were postponed from February and March until April to make the first quarter target.	Managerial decision	ethical	marginally unethical
3	The expenditures were postponed from November and December until January in order to make the annual target	Managerial decision	marginally ethical	marginally unethical
4	On December 15, a clerk ordered $6,000 of office supplies, and the supplies were delivered on December 29. This order was a mistake because the COO had ordered that no discretionary expenses were to be incurred for the remainder of the fiscal year and the supplies were not urgently needed. The organization's accounting policy manual states that office supplies are to be recorded as an expense when delivered. The COO learned what had happened, and to correct the mistake, asked the accounting department not to record the invoice until February.	Accounting recognition	unethical	unethical
	The following information applies to situations 5, 6 and 7. In September the COO realizes that the organization would need strong performance in the fourth quarter to reach its budget targets.			
5	The COO decided to implement a sales program offering liberal payment terms to recognize some sales that would normally occur next year into the current year. Customers accepting delivery in the fourth quarter would not be obligated to pay the invoice for 120 days.	Managerial decision	ethical	marginally ethical
6	The COO ordered manufacturing division to work overtime in December so that everything possible could be shipped by the end of the year.	Managerial decision	ethical	ethical
7	The COO sold some excess equipment and realized a profit of $75,000.	Managerial decision	ethical	ethical
	The following information applies to situations 8 and 9. At the beginning of December 2010, the COO realized the organization would exceed its budgeted profit targets for the year.			
8	The COO ordered the organization controller to prepay some expenses (e.g., hotel rooms, exhibit hall expenses) for a major trade show to be held in March 2011 and to record them as 2010 expenses. Amount: $ 115,000	Accounting recognition	unethical	unethical
9	The COO ordered the controller to write down the finished goods inventory due to obsolescence (i.e., reduce the organization's asset value and record a corresponding loss in the income statement). By taking a pessimistic view of future market prospects, the controller was able to identify $1,300,000 worth of finished goods that conservative accounting would say should be written off even though the COO was fairly confident the finished goods would still be sold at a later date at close to full price.	Accounting recognition	unethical	unethical

EXHIBIT 2

#	Ethics Study	Decision Basis	Ethical or Unethical	
			Prior studies	This study
	The following information applies to situations 10 and 11.			
	In 2011, the organization sold 70% of the written-off finished goods, and a customer indicated some interest in buying the rest of the written-off inventory the following year. The COO ordered the controller to write the inventory back up to its original full cost. This involves a $400,000 increase in the finished goods inventory asset value (which had been previously written down due to obsolescence) and a corresponding increase in net income. The COO motivation for recapturing the profits was:			
10	To be able to continue working on some important product development projects that might have been delayed due to budget constraints.	Accounting recognition	unethical	unethical
11	To make budgeted profit targets.	Accounting recognition	unethical	unethical
	This information applies to situations 12 and 13.			
	In November 2010, the organization was straining to meet budget. The COO called the consulting firm that was doing some work for the organization and asked that the firm not send an invoice until next year. The firm agreed. Estimated work done but not invoiced:			
12	$60,000	Accounting recognition	unethical	unethical
13	$940,000	Accounting recognition	seriously unethical	seriously unethical

Table 1
Rotated Factor Analysis

Trans-action Type	Description	Scenario	Acct Inventory	Acct Manipulation	Mgt Revenue	Mgt Expense
Mgt	Paint ahead of schedule	Q1	.081	-.120	**.529**	-.236
Mgt	Defer expend - month	Q2	.032	.054	.334	**-.956**
Mgt	Defer expend - year	Q3	.063	.051	.323	**-.946**
Acct	Record supplies next year	Q4	.035	**.558**	-.115	-.142
Mgt	Pull sales - liberal terms	Q5	.084	.206	**.594**	-.374
Mgt	Overtime to max shipments	Q6	.095	-.015	**.827**	-.167
Mgt	Sell excess assets	Q7	-.002	-.055	**.639**	-.146
Acct	Prepay next year expense	Q8	.451	**.498**	.013	.086
Acct	Write down inventory	Q9	**.550**	.154	.322	.112
Acct	Write up inventory - prod dev	Q10	**.896**	.226	.005	.004
Acct	Write up inventory - profit	Q11	**.888**	.256	.054	-.141
Acct	Delay consult cost - small	Q12	.270	**.860**	.036	.042
Acct	Delay consult cost - large	Q13	.279	**.853**	.053	.000
Percent variance explained			22.610	10.430	18.840	9.31
Cumulative explained 61.18%						

next year expense, was a bit unusual as it loaded only moderately higher on Accounting Manipulation. It was classified with that factor because none of the prepaid expenses were inventory.

The third and fourth factors are operating transactions as they clearly manipulate activities as directed by the chief operating/management officer. For the operating manipulation factors, four scenarios loaded highly on factor three which represents operating decisions that changed expenses. Two scenarios loaded on the fourth component that changed revenues.

Prior to analyzing the differences among groups of respondents, the means of the 13 scenarios grouped by the factors on which they loaded was examined. Table 2 displays the mean responses to these original scenarios and the mean of the scenarios and the mean for the each factor. Earlier studies' findings (Burns and Merchant 1990; Grasso et al. 2009) that manipulating accounting methods is less acceptable ethically than manipulating earnings by means of operating decisions is strongly supported. Within the managerial operating scenarios, our respondents felt the manipulations that changed the timing of expense recognition were much more questionable ethically than manipulations which changed revenue timing. In the accounting manipulation area, there was little difference between the respondents' rating of the unethical acceptability of manipulation by means of adjusting inventory valuations and other forms of accounting manipulations.

Practitioner Versus Student Ethical Acceptability of Transactions

Table 3 displays the comparison for each scenario of the reported professional ethical acceptability compared to the student ethical acceptability.

No significant difference was found among the levels of ethical acceptability value between the student and practitioner groups for the accounting recognition scenarios. These include scenario Q 4 recording supply cost next year, scenario Q 9 writing down inventory value and scenario Q 11 writing up inventory value to reach profit target. The two groups' ethical acceptability values significantly differed on all other scenarios that include both managerial and accounting recognition decisions with students displaying a much more idealist decision of unethical acceptability. This supports Valentine and Bateman's (2011) study that used students to investigate ethical

TABLE 2
Mean scores of Decisions Grouped by Factor

Accounting	Scenario	Mean	sd	Factor Mean
Inventory Transactions				3.78
Write down inventory	Q9	3.66	1.30	
Write up inventory - prod development	Q10	3.66	1.32	
Write up inventory - profit	Q11	4.01	1.87	
Manipulation Transactions				4.11
Record supplies next year	Q4	4.34	0.96	
Prepay next year expense	Q8	3.78	1.35	
Delay consult cost - small	Q12	3.90	1.22	
Delay consult cost - large	Q13	4.42	0.96	
Managerial				
Revenue				1.64
Paint ahead of schedule	Q1	1.42	0.83	
Pull sales - liberal terms	Q5	2.47	1.36	
Overtime to max shipments	Q6	1.42	0.82	
Sell excess assets	Q7	1.25	0.72	
Expenses				3.17
Defer expend - month	Q2	3.01	1.52	
Defer expend - year	Q3	3.33	1.58	

TABLE 3
RESPONSE ANALAYSIS
PROFESSIONALS VERSUS STUDENTS

	Question	Ethical	Questionable	Moderately Unethical	Seriously Unethical	Totally Unethical	Total N	Mean	Standard Deviation	t-test	Sig.
	Paint ahead of schedule									12.503	0.014
1	Professionals	173	34	8	2	4	221	1.33	0.752		
	Students	84	26	16	2	3	131	1.58	0.928		
	Defer disbursements - month									33.311	0.000
2	Professionals	68	54	26	32	42	222	2.67	1.506		
	Students	13	19	23	30	46	131	3.59	1.358		
	Defer disbursements - year									33.528	0.000
3	Professionals	56	44	25	32	57	214	2.95	1.574		
	Students	12	13	14	20	70	129	3.95	1.380		
	Record supplies next year									0.991	0.911
4	Professionals	3	14	24	48	136	225	4.33	0.987		
	Students	1	6	15	31	75	128	4.35	0.919		
	Pull sales - liberal terms									15.878	0.003
5	Professionals	80	59	27	27	19	212	2.27	1.324		
	Students	26	26	27	24	16	119	2.82	1.346		
	Overtime to maximize shipments									36.526	0.000
6	Professionals	181	26	4	4	3	218	1.27	0.714		
	Students	70	33	16	6	1	126	1.69	0.925		
	Sell excess equipment									35.694	0.000
7	Professionals	203	8	2	1	1	215	1.09	0.429		
	Students	90	14	14	4	3	125	1.53	0.980		
	Prepay next year's expense									12.854	0.012
8	Professionals	15	20	25	46	102	208	3.96	1.285		
	Students	14	22	15	32	37	120	3.47	1.396		
	Write down inventory									4.012	0.404
9	Professionals	19	29	30	52	74	204	3.65	1.343		
	Students	7	14	26	30	38	115	3.68	1.225		
	Write up inventory - R&D									17.585	0.001
10	Professionals	13	26	18	61	78	196	3.84	1.265		
	Students	15	14	23	27	26	105	3.33	1.363		
	Write up inventory - profit target									2.673	0.614
11	Professionals	9	18	19	55	98	199	4.08	1.165		
	Students	6	12	14	32	43	107	3.88	1.219		
	Delay consultant pay - small amt									17.231	0.002
12	Professionals	6	21	28	44	105	204	4.08	1.152		
	Students	9	16	24	33	33	115	3.57	1.257		
	Delay consultant pay - large amt									21.082	0.000
13	Professionals	2	6	9	38	148	203	4.60	0.793		
	Students	6	8	8	36	55	113	4.12	1.148		

Legend:	Code
Ethical	1
Questionable	2
Moderately unethical	3
Seriously unethical	4
Totally unethical	5

reasoning in different business situations. They found (p 162) students scoring high on idealism and relativism measures. Practitioners' experience with the effect of valuation changes on accounting numbers may condition them to the unethical acceptability of this practice. Students, however, have little or no experience with valuation change opportunities and are a bit more idealistic. Given these findings, when students are compared to professions, it is reasonable to find students identifying situations to be more unethically acceptable.

Professionals report all of the decision values for the managerial expense and revenue decisions to be more ethical than the students (Table 3). These include the following scenarios.

More Ethical Managerial Decisions		t-test α=
Revenue		
Q 1	Painting ahead of schedule	0.014
Q 5	Liberal sale credit agreement	0.003
Q 6	Overtime to maximize shipments	0.000
Q 7	Selling excess equipment	0.000
Expense		
Q 2	Postponing disbursements by up to 2 months	0.000
Q 3	Postponing disbursements until the new year	0.000

This finding is anticipated based on prior studies (Nash 1990; Axline 1990; Van Der Wal 2011) that explain as managers gain experience in ethical decision making, nuances begin to influence and mediate their judgment. Said another way, professionals can see the shades of gray and decisions are not just black or white thus they lose the ethical idealism common to students and become more realistic.

The managerial expense manipulation scenarios could be judged to be either questionable management practices or questionable ethics. Because of their experience, practitioners may have read these scenarios as questions of management practice rather than questions of ethics thus judging them to be less unethical than did the students.

Other than the accounting recognition decision (Q4, Q9, and Q11) that found no significant difference between the ethical acceptability of the students and professionals, all other accounting decisions were reported as being more ethical by the students and less ethical by the professionals. The accounting recognition decisions that students found to be more ethical include the following.

More Ethical Accounting Decisions		t-test α =
Manipulations		
Q 8	Prepaying net year's expense	0.012
Q 12	Delaying small amount consultant fee	0.002
Q 13	Delaying large amount consultant fee	0.000
Inventory		
Q 10	Writing up inventory	0.001

Given the differences in levels of ethical acceptability reported by students and professionals, additional analysis was employed to identify the demographic variables that explain the differences (Table 4). Years of work experience reported by the professionals most often explain their more ethical managerial decisions.

Student status and type of employment more often explained the students' greater unethical value regarding accounting recognition decisions. This reinforces the ability of the practitioners to be aware of the serious valuation impact of the scenarios on the accounting financial reports.

Limitations

This study explores the ethical decisions made by accounting professionals and students who aspire to become accounting professional in the East Texas region.

The findings are tentative due to a number of limitations. First the scenario questionnaire format incorporated only 13 short scenarios. Some of the response differences may have been the result of assumption differences made by the respondents. For example, was the scenarios description within the manager's responsibility? Perhaps smaller variances in responses would

Table 4
Analysis of Variance
Significant Demographic Variables for Each Scenario

Scenario	F	Sig.	Significant Demographic Variable(s) with α value
Q 1	1.587	0.129	
Q 2	3.905	0.000	Work experience .009
Q 3	3.834	0.000	Work experience .005 and academic degree .081
Q 4	0.773	0.627	
Q 5	4.495	0.000	Work experience .001 and academic degree .094
Q 6	5.855	0.000	Work experience .000 and status .060
Q 7	5.360	0.000	Work experience .009 and ethic auditing training .018
Q 8	0.827	0.579	
Q 9	1.093	0.369	
Q 10	2.854	0.005	Employment .039
Q 11	1.830	0.072	
Q 12	1.973	0.050	Status .027
Q 13	2.161	0.031	Status .003

Demographic Variables:

Status = professional or student
Gender = male or female
Employment = type of professional or student
Work experience = number of years
Academic degree by level
Academic major by discipline
Completed any ethic academic training = yes or no

have occurred had the scenarios provided more information and content.

Second, the population may not be representative for generalization. The professionals represent only regional East Texas CPA firms. No national (big-4) firm representatives were among the respondents. However, industry, manufacturing and educational CPAs were among the respondents. In addition, no students from private higher education institutions with an academic accounting program were a part of the study. The findings may not be representative of a state or national population. However, they would be generalizable to a comparable regional location.

Third, although the responses were anonymous, some response bias may be present in the responses.

CONCLUSION AND SUGGESTED FUTURE RESEARCH

This study confirms prior studies (Burns and Merchants 1990; Merchant and Rockness 1994; Grasso et al. 2009) that find practitioners and students have a greater ethical acceptability for operating manipulations than for accounting manipulations. This could be based on the accounting profession's concern with ethical codes and generally accepted accounting practices that does not exist for the managerial activities. Accounting standards seek to ensure that financial reports provide an appropriate reflection of the organization's economic status and thus reflect an institutionalization of ethical concern for honesty. The respondents' greater unethical acceptability of the scenarios may reflect this concern.

This study also demonstrates that accounting professionals and accounting students have ethi-

cal sensitivity to questionable managerial and accounting recognition situations but the sensitivity level is uneven. Given the importance of accurate, relevant and reliable information to maintaining the public trust in the accounting profession, this study provides evidence that the educational programs must expend efforts to ensure students are exposed to real-world situations in which managers make business decisions. Students, as well as professional accountants, must appreciate the creativity and effectiveness that managerial decision making requires and not rely solely on explicit policy restrictions or accounting guidance. In fact, ethics and personal integrity are a major issue in everyday business decisions.

This study provides some understanding of the ethical value choices, however nothing is available about the basis of the respondents' judgments. Issues such as why the ethical value was selected provide motivation for future research. More can be done as future studies could employ more extensive descriptions of manipulative accounting practices in any number of situations such as financial institutions, markets or service industries. Future studies could also query a much larger, more expansive, population which would allow robust analysis including differences among professionals.

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