

Reflecting National Regulatory Differences in Business Ethics AoL: Sharing a Chinese School's Experience

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ABSTRACT

Due to rising needs for tighter scrutiny of corporate governance, internal control, and information disclosure, the assessment of business ethics training in higher education has become a focal point of academic discussion. The aim of this study is to share the evolving experience of the School of Accounting of Southwestern University of Finance and Economics (SWUFE), located in Chengdu, China, and the designs and implemented practices regarding business ethics AoL that have been embedded in its upper-division auditing courses.

INTRODUCTION

Over a decade after the Sarbanes-Oxley (SOX) Act was enacted in 2002, many investors probably think that infamous corporate accounting scandals such as Enron, WorldCom, and Tyco International have faded into distant memory. Since then, a lot of U.S. business schools have actively incorporated business ethics into their curricula; hopefully, the students, future business professionals, will act more ethically after they enter the workplace. At this moment, U.S. business schools feel that the revised curricula may have significantly changed the trajectories of students' professional lives. Nonetheless, across the Pacific, another economic power, China, just embarked on a path similar to the one that U.S. investors endured during the collapse of Arthur Anderson back in 2002. In August 2019, Ruihua, one of China's largest accounting firms, was allegedly involved in various accounting scandals, which sent shock waves throughout the Chinese corporate world. Many commentators even consider Ruihua's scandal equivalent to the fallout of U.S. accounting firm Arthur Anderson. What makes this event more noticeable is that many culprits are constituents of the MSCI emerging market index. Among them, the largest accounting fraud was committed by Chinese drug company Kangmei Pharmaceutical, which overstated cash holdings by more than \$4 billion over the last 3 years. Faced with growing foreign capital flows into Chinese markets, should China Securities Regulatory Commission (CSRS) take this opportunity to tie up some loose ends in corporate accounting reporting standards? What is the role of Chinese business schools during the tumultuous moment? Due to rising needs for tighter scrutiny of corporate governance, internal control, and information disclosure, the assessment of business ethics training in higher education has become a focal point of academic discussion. The aim of this study is to share the evolving experience of the School of Accounting of Southwestern University of Finance and Economics (SWUFE), located in Chengdu, China, and the designs and implemented practices regarding business ethics AoL that have been embedded in its upper-division auditing courses.

Considerable prior studies have examined whether gender (Betaz et al., 1989; Malinowski and Berger, 1996; Desphande, 1997) and nationality (Peterson et al., 2001; Chan and Armstrong; 1999; Singhapakdi et al., 1994 & 1995) affect attitudes toward unethical conduct. Therefore, an intriguing question is whether the "unethical perspective" of business professionals can be to some extent mitigated through courses taken in school. Wynd and Mager (1989) and Davis and Welton (1991) reached a similar

conclusion: a single course is unable to ensure that students act more ethically after they enter the workforce. Peppas and Diskin (2001) examined whether the embedded ethics courses achieve the educational goal of training future business professional about ethical conduct. Complying with the Ethics Standards promulgated by China Code of Ethics for Certified Public Accountants, SWUFE's School of Accounting has designed four rubrics to assess learning goals: these are called the Business Ethics and Social Responsibilities. The four rubrics examine whether students can (1) identify difficulties and conflicts of business ethics, (2) judge the difficulties and challenges of business ethics, (3) propose alternatives, and (4) investigate alternative plans for inherent business ethics problems and moral challenges. A total of 335 students were assessed during 2016–2017.

The reliability of accounting financial reports and auditing outcomes should be high, provided that significant foreign capital is pulled into the Chinese financial market. Our assessment implementation and closing-the-loop design are desirable for all stakeholders for a variety of reasons. First, we can train future accounting professionals to have better understanding of “accountability associated with their fiduciary duties.” Second, other Chinese higher-education institutes can emulate our successful tactics in order to ensure that curricula appropriately incorporate business ethics. Third, the integrity of the Chinese auditing process can be enhanced, and the society's overall well-being can be sustained.