

American Accounting Association

Accounting, Behavior and Organizations Section

1998 Outstanding ABO Dissertation

The Influence of Social Interaction on Auditors' Moral Reasoning

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Abstract

The purpose of this dissertation is twofold. First, to develop two context-specific measures of accountants' moral reasoning. Second, to explore the effect of group discussion on auditors' moral reasoning. The rationale, approach and results pertaining to each of the two objectives are described in turn.

Past accounting ethics research adopting a cognitive-developmental perspective has focused on understanding the factors that promote accountants' development of *cognitive moral capacity*. Cognitive moral capacity does not necessarily correspond to the moral reasoning accountants apply to the resolution of ethical dilemmas in the work place. Cognitive moral capacity describes the most sophisticated moral reasoning of which an individual is capable, whereas moral reasoning describes the actual cognitive assessment an individual applies to a particular ethical dilemma. There are two different types of moral reasoning: prescriptive reasoning and deliberative reasoning. As applied to the ethical decision process of accountants, prescriptive reasoning is analogous to an accountant's formulation of his or her professional judgment of the ideal resolution to an ethical dilemma, and deliberative reasoning is analogous to an accountant's intention to exercise professional judgment to resolve an ethical dilemma. To develop two accounting-specific measures of prescriptive and deliberative moral reasoning, the Defining Issues Test (DIT) was selected as a prototype. Professional accountants and experts were used to ensure the cases and scoring of the measures elicited a representative moral reasoning process of accountants, according to a cognitive-developmental perspective. The validity and reliability of the accounting-specific measures are comparable to that found in the DIT. The results of comparisons of scores on the accounting-specific measures to their DIT scores suggests that accountants do not resolve ethical dilemmas at their cognitive moral capacity. Thus, the accounting-specific measures of moral reasoning may be useful in future research to investigate factors and approaches that will encourage accountants to resolve ethical dilemmas at their cognitive moral capacity.

These measures were used in an experiment that explores the effect of group discussion on 286 auditors' resolution of ethical dilemmas. Auditors rarely make professional judgments without consulting others. Instead, auditors' professional judgments are typically made following a discussion of the contentious issues with other auditors (Gibbins and Mason 1988). Hypotheses were developed based upon an integration of social-psychological explanations into a cognitive-developmental framework. In one experiment, auditors were asked to prescriptively discuss how an accountant ideally should resolve an ethical dilemma, while in the other experiment, subjects were asked to deliberatively discuss how an accountant actually would resolve an ethical dilemma. The results showed that subjects have higher moral reasoning scores after prescriptive discussion, and lower moral reasoning scores after deliberative discussion. Thus, the study findings point to the importance of type of discussion for predicting and explaining accountants' moral reasoning. These

findings suggest that auditors should be encouraged to prescriptively discuss ethical dilemmas as this is likely to have beneficial effects on auditors' moral reasoning, and deliberative discussion of ethical dilemmas should be avoided as this tends to have adverse effects on the moral reasoning of auditors.

This page was last updated on May 20, 2005 .

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