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Taxing times: an educational intervention to enhance moral reasoning in tax

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This paper outlines the development and implementation of an online educational intervention designed to enhance moral reasoning in higher level tax students. Before decisions are made about how to behave ethically, cognitive moral reasoning takes place. The importance of education in developing morally sensitive individuals who use principled moral reasoning has been widely acknowledged. The literature contends that moral reasoning might be enhanced through certain forms of intervention studies. An online educational intervention designed to enhance moral reasoning in tax was developed and empirically tested for effectiveness through the use of a pre- and post-test and focus group feedback gathered from students. Students' contributions to ethical discussions were analysed to determine their perceptions of salient issues concerning ethics in tax. This paper will inform future educators and researchers designing effective ethics interventions.

Keywords: moral reasoning; educational interventions; tax ethics; defining issues test

1. Introduction

Recent years have seen a growing concern regarding the ethical behaviour of tax practitioners. Shafer and Simmons (2008) suggest that some tax advisers have abandoned concern for the public interest or social welfare in favour of commercialism and client advocacy, and go so far as to suggest that tax practitioners do not believe strongly in the value of ethical or socially responsible corporate behaviour. There has been considerable recent debate on the nature of ethics in tax in the wake of recent alleged tax avoidance scandals involving large, high profile corporations such as Amazon, Google and Starbucks (e.g., Syal and Wintour 2012).

Before an individual reaches a decision about how to behave ethically, cognitive moral reasoning occurs. Moral reasoning is one of the components necessary for moral behaviour according to Rest's model (1983). The importance of education in developing ethically sensitive individuals who use principled ethical reasoning has been widely acknowledged (Pascarella and Terenzini 1991; Rest et al. 1999a; Doyle and O'Flaherty 2013). Rest (1986b) contends that ethical reasoning might be enhanced through certain forms of instruction, labelled intervention studies. Key findings in the literature indicate that the use of interventions involving discussion of ethical dilemmas produce development in moral reasoning and that interventions lasting from 3 to 12 weeks is ideal. Doyle, Frecknall-Hughes, and Summers (2013) found that the context in which dilemmas are situated is

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critical in determining how individuals approach them, suggesting that instruction aimed at enhancing ethical reasoning be context specific.

If ethical standards in tax are to be encouraged, tax education must embrace effective methods of enhancing the moral reasoning of students. Indeed, it is argued that content on moral reasoning be mandatory for all business majors (Poff 2007). This study provides a starting point by designing and empirically testing an appropriate online educational intervention and suggesting ways in which it might be improved. While many studies have been undertaken in the accounting domain, ethical interventions to enhance moral reasoning in tax have never been documented in the literature before. This study is also unique in gathering qualitative as well as quantitative data from participants as to the issues they perceive as important when facing ethical tax dilemmas, the impact of the educational intervention and suggestions for improving it. The qualitative data gathered as part of this study facilitates the identification of variables which may not be captured by the cognitive moral development (CMD) measure but which may be important in the context of approaching moral dilemmas in tax, for example, emotions and relationships.

The remainder of this paper is set out as follows. Section two explains CMD and the Defining Issues Test (DIT) as well as outlining and briefly discussing the main criticisms of CMD. Section three examines the impact of educational interventions on CMD. Section four outlines the research methods, while section five sets out findings. Section six concludes.

2. CMD and the DIT

Cognitive developmental psychologists believe that before an individual reaches a decision about how and whether to behave ethically, cognitive moral reasoning takes place.¹ The psychology of moral reasoning aims to understand how people think about moral dilemmas and the processes they use in approaching them (Kohlberg 1973; Rest 1979b).

Kohlberg (1969) developed a CMD model based on social cooperation and justice. He sets out three developmental levels: 'pre-conventional morality', 'conventional morality' and 'post-conventional morality'. At the pre-conventional level, an individual is focused entirely on himself/herself. Behaviour appearing ethical is motivated solely by the desire to avoid punishment or because the outcome is favourable to the person. At the conventional level, an individual is concerned about family, society, the welfare of others and the perception that others have of him/her. At the post-conventional (principled) level, an individual is concerned about others in society and will act on their behalf even if that means breaking legal rules. There are two developmental stages within each level, with the second stage being a more advanced and organised form of the first. Individuals move upwards through the stages during their development, although not all reach post-conventional morality. These six stages determine the level of moral reasoning used by individuals in distinguishing right from wrong. The moral reasoning level therefore helps determine how individuals will behave when faced with an ethical dilemma.

Kohlberg's perspective revolves around the idea that moral judgements are the outcome of conscious decision processes which move directly from conscious reasoning to moral verdict (Kohlberg 1981), therefore ignoring the importance of moral emotions (Greene and Haidt 2002). Many researchers argue that both conscious reasoning and intuition play a part in judgement (Greene and Haidt 2002; Cushman, Young, and Hauser 2006). It is argued that emotions should be an integral part of the system of ethical

reasoning (Nussbaum 2003). It is acknowledged by Haidt (2007) that the use of conscious verbal reasoning, the reframing of the scenario and discussing the situation with others serve to override an individual's immediate intuitive response, particularly in a professional context. Given that tax professionals would have to communicate their rationale to a client, and potentially to the revenue authority, and that the situation is not personal to them so reasoning may play a more important role (as suggested by Greene et al. 2001), Kohlberg's cognitive moral reasoning approach remains a valid construct in the context of tax.

It is also worth noting that Kohlberg's stage sequence model examines moral cognition and not moral action or behaviour. In an attempt to model the decision-making process that takes place prior to ethical behaviour, taking on board the contention that moral reasoning does not solely dictate moral behaviour, Rest (1983) set out a four component framework (moral sensitivity, moral judgement, moral intention and the implementation of moral intention). Rest (1983) posited that in order to behave ethically, an individual must have performed all four of these psychological processes. The literature generally accepts that moral reasoning is a necessary element of moral behaviour, even if it is not sufficient of itself to dictate action (Kohlberg and Candee 1984; Fraedrich, Thorne, and Ferrell 1994). The examination of moral reasoning as a component of moral action, therefore, remains a valid exercise and may serve to inform predictions of behaviour.

Kohlberg's theory of moral development is based on concepts of social cooperation and justice. Critics of the theory argue that cooperation and justice reasoning is only one subset of the moral spectrum and that individuals may also define morality in other ways. The main alternative paradigm offered is the ethics of compassion and care (Gilligan 1982; Noddings 1984). Gilligan (1982) suggests that men typically conceive of morality as a series of rights and obligations underpinned by the demands of fairness of impartiality. Women, on the other hand, see moral requirements as arising from the needs of others in the context of particular relationships. This latter orientation focuses on the interconnectedness of the parties involved in a situation. Gilligan characterises the ethic of justice and the ethic of care as different and competing ways of seeing the world, claiming that typically one orientation dominates moral thinking and that the direction of the dominance is gender-related. It is therefore argued that the focus on justice and cooperation may result in Kohlberg's theory being gender biased, given that a woman's sense of morality is centred on interpersonal relationships and caring, resulting in reasoning at stage three (Gilligan 1982; Lyons 1983; Walker 1984). Fisher (1997), however, argues that research results do not support the gender bias and cites the following research in support of his contention (Pratt et al. 1988; Boldizar, Wilson, and Deemer 1989; Cohn 1991). On the basis of 500 studies using the DIT, Rest (1986b) defends Kohlberg's theory against Gilligan's challenge, suggesting that she has exaggerated the extent of the gender differential and noting that the overwhelming majority of moral judgement research has found no statistical difference between men and women. Where differences have been found, it is equally likely that women achieve higher moral reasoning scores than men. These results have been supported in later studies (see, for example, Rest and Narvaez 1994; Cummings et al. 2001; Rest et al. 1999b). Other authors suggest that most individuals use elements of both the justice and the care orientation in their approach to moral dilemmas (see, for example, Flanagan and Jackson 1987). While Gilligan's (1982) claims of gender bias do not seem to be borne out in the empirical research findings, this paper will, nevertheless, test for significant

differences between male and female participants in the study participants in the quantitative element of the study and will investigate whether there is any evidence of the ethic of care based on relationships emerging from the qualitative work done.

Cross-cultural research has repeatedly found that subjects ranging from primitive tribes-people to Western urban adults can understand and respond to the hypothetical dilemmas that Kohlberg designed (Snarey 1985). Kohlberg (1981) accepts that different cultures teach different beliefs but argues that the underlying modes of reasoning remain consistent across cultures. However, it is acknowledged by other authors that individuals may approach dilemmas in different ways depending on the situational context. Jackall (1988) suggests, for example, that what is ethically acceptable at work may not be acceptable at home or outside the corporation. He posits that the finding in many studies that managers use lower level ethical reasoning to resolve business problems is consistent with an understanding of human behaviour based on cultural anthropology, where individuals play different roles that allow them to accept different values, norms and behaviours in different life domains (e.g., home and work). This suggests that socialisation at work might be expected to affect attitudes to particular issues encountered in the work context. O'Fallon and Butterfield (2005) report widespread support for the notion that ethical climates and cultures exist within organisations. Evidence of differences in reasoning depending on the context of the dilemma will be examined in this study.

Rest (1979a) developed the DIT to measure CMD using social dilemmas. It is a self-administered, multiple-choice instrument. The instrument was developed based on an interpretation of the stages in Kohlberg's stage-sequence theory (see Table 1). The test measures the comprehension and preference for the principled level of reasoning by calculating a 'P' score (Rest et al. 1999b). A higher P score implies a lower percentage of reasoning at lower levels. Rest (1986a, iii) reports group averages based on the norms compiled by the Centre for the Study of Ethical Development (CSED) in Alabama, shown in Table 2.

Table 1. Six stages of moral reasoning.

Pre-conventional: focuses on the individual.	Stage one	The morality of obedience: do what you are told.
	Stage two	The morality of instrumental egoism and simple exchange: let's make a deal.
Conventional: focuses on the group and relationships.	Stage three	The morality of interpersonal concordance: be considerate, nice and kind: you'll make friends.
	Stage four	The morality of law and duty to the social order: everyone in society is obligated to and protected by the law.
Post-conventional: focuses on the inner self and personally held principles.	Stage five	The morality of consensus-building procedures: you are obligated by the arrangements that are agreed to by due process procedures.
	Stage six	The morality of non-arbitrary social cooperation: morality is defined by how rational and impartial people would ideally organise cooperation.

Note: Adapted from Rest (1994).

Table 2. Mean *P* scores Rest (1986a, iii).

Group	Mean <i>P</i> score
Moral philosophy and political science doctoral students	65.2
Seminarians in a liberal protestant seminary	59.8
Advanced law students	52.2
Practising medical physicians	49.5
Average college student	42.3
Average of adults in general	40.0
Average senior high student	31.8
Average junior high student	21.9
Institutionalised delinquent boys, 16 years old	18.9

Rest et al. (1999b) reformulated Kohlberg's six stages into schemata – the Personal Interests schema, the Maintaining Norms schema and the Post-conventional schema. The Personal Interest schema is derived from stage two and three reasoning. The Maintaining Norms schema is a reformulation of stage four reasoning and the Post-conventional schema is a reclassification of stage five and six reasoning. The reformulation of Kohlberg's stages into Rest et al.'s schemata does not impact on how the DIT is used.

Research has been conducted to test the ease with which the DIT score might be manipulated or faked by participants. McGeorge (1975) found that 'faking' does not appreciably increase DIT scores. This may be at least partly due to the scenario-based nature of the DIT, as well as its response format (i.e., the DIT aims to assess the moral reasoning of participants in a manner which is more subtle than asking direct questions and which includes checks so that those attempting to be dishonest may be identified; (Loviscky, Treviño, and Jacobs 2007).

3. CMD and educational interventions

As mentioned, Rest contends that ethical reasoning develops with education (Rest et al. 1999b) with Bebeau and Thoma (2003) reporting that education can account for 30–50% of the variance in DIT scores. The general trend emerging from the literature is that CMD develops while individuals are in formal educational settings and then plateaus (Rest et al. 1999b, 73). The college experience in particular appears to foster CMD. Rest et al. (1999b, 73) suggest that college 'prod[s] students to re-examine their thoughts about the moral basis of society and to value post-conventional reasoning more and more'. However, Kohlberg (e.g., 1981, Chapter 3) stresses that his stages are not necessarily a product of teaching. Social experiences promote development by stimulating mental processes. As individuals discuss and debate with others, their views are challenged and they are motivated to develop new, more comprehensive positions. Moral reasoning development reflects these broader viewpoints. Consequently, it is the higher education environment that stimulates moral reasoning development rather than the curriculum.

That said, Rest (1986b) contended that CMD might be enhanced through certain forms of instruction – intervention studies. Rest and Narvaez (1994) describe a number of intervention studies displaying significant *P* score gains. The most successful include taught self-reflection; stimulated growth in cognitive processes (role taking and empathy); the integrated instruction of moral and ethical issues and teaching logical and philosophical concepts, followed by discussion of individual cases of moral problem-solving.

Schlaefli, Rest, and Thoma (1985) conducted a meta-analysis of 55 intervention studies using the DIT. The majority used peer discussion of controversial moral dilemmas. Key findings indicate that the use of interventions involving discussion of dilemmas and presentation of theoretical models of moral development produced development in moral reasoning and that an intervention lasting anywhere from 3 to 12 weeks was ideal. However, empirical studies in the accounting area have reported mixed results as to whether ethics instruction impacts on CMD.

Hiltebeitel and Jones (1991, 262) found that accounting students exposed to an ethics module based on reviewing and discussing ethics cases increased their reliance on higher level reasoning when resolving professional ethical dilemmas but this effect did not spill over to dilemmas of a personal nature. Ponemon (1993) investigated the influence of ethics interventions on the CMD and ethical behaviour of accounting students. The interventions were based on the review and discussion of ethics cases. He found that ethics interventions did not result in an increase in CMD, nor did it reduce students' 'free-riding' behaviour. St. Pierre, Nelson, and Gabbin (1990) found that accounting students' participation in college ethics courses did not significantly influence their CMD. However, Shaub (1994) and Armstrong (1993) found the completion of a college ethics course was associated with higher moral reasoning in accounting students. Sweeney (1995) and Eynon, Hill, and Stevens (1997) also found the completion of an ethics course in college to have a positive impact on the moral reasoning of accountants.

Welton, Lagrone, and Davis (1994) examined the effects of exposing accounting students to professional ethics. Students who had undergone ethics training demonstrated increased ethical reasoning. The authors conclude that appropriately designed ethics modules can foster consistent consideration of ethical issues. Doyle, Frecknall-Hughes, and Summers (2013) suggest that ethics training in social contexts may not have a comparable impact on work-related moral reasoning and suggest that training programmes incorporate formal ethics training using domain-specific scenarios.

In the context of this literature, particularly building on the work of Welton, Lagrone, and Davis (1994) and Doyle, Frecknall-Hughes, and Summers (2013), the aim was to design an effective tax context ethical intervention and test its effectiveness in enhancing CMD using an instrument designed to capture moral reasoning in the tax domain as well as in the broad social domain typically examined. On the basis that the accounting literature suggests CMD can be enhanced using effective educational interventions, the first research hypothesis advanced is:

Hypothesis 1: Students' moral reasoning in a social context will be higher after the educational intervention than their moral reasoning prior to the intervention.

Given the importance of context in moral reasoning development, it was critical to investigate students' CMD in a tax-specific domain leading to the second hypothesis:

Hypothesis 2: Students' moral reasoning in a tax context will be higher after the educational intervention than their moral reasoning prior to the intervention.

In order to gather rich data on the effectiveness of the intervention designed and used, qualitative data were also gathered. Gathering qualitative data as well as CMD scores facilitates the identification of variables which may not be captured by the P score but which may be important in the context of approaching moral dilemmas in tax.

4. Research methods

4.1. Development of the educational intervention

This study involved two student cohorts (2010/2011 and 2011/2012) who took a 13-week tax module at postgraduate level. The module aims to provide a basic overview of the taxation issues facing the financial services sector internationally, and to consider related ethical issues. One of the module learning outcomes is that students will recognise ethical dilemmas when they arise and be able to consider the broader implications of decisions made.

Following what the literature suggests as the most effective manner to enhance CMD, the ethical intervention involved the engagement of students in an online, student-driven *SULIS*² discussion of a range of ethical issues. The discussions commenced at the beginning of the semester and ran for 10 weeks. Each discussion was introduced using a range of stimuli designed to elicit debate and, once introduced, ran for two weeks. On occasion additional stimuli were introduced as discussions progressed in order to illustrate a point or maintain momentum. The stimuli employed included vignettes describing ethical issues in tax (see [Appendix 1](#)), a television advertisement depicting the daily experience of a boy living in the conditions that would prevail if no one paid tax (dirty tap water, litter, no public services, no tarmac on the roads, etc.), a journal article about ethics in tax (Doyle, Frecknall-Hughes, and Glaister 2009), a passage from a contemporary novel about a fund manager's attitude to tax avoidance (Faulks 2010, see [Appendix 1](#) for the extract), and the preface of a book on accounting ethics describing the ethical position one of the authors found himself in (Cheffers and Pakaluk 2007). This latter stimulus represented a moral exemplar consistent with Armstrong, Ketz, and Owsen's (2003) recommendations that exemplars be used to increase students' motivation to act ethically. The stimuli were varied in order to address concerns about the need to cater to diverse learning styles when teaching ethics (Kelly, Massey, and Van Hise 2010). The vignettes used were developed by the researcher on the basis of dilemmas which arise in tax practice but are not overly tax technical.

The students initially responded to the vignette, advertisement and so on, but discussions progressed from there, with regular contributions from the lecturer to prompt debate, challenge students, provide an alternative perspective or explain how tax practice works.³ The literature suggests that frequent responses from an instructor offering guidance are critical in encouraging online participation (Bullen 1998; Tagg and Dickinson 1995). Discussions accounted for 15% of the final module grade. The module curriculum covers many tax technical topics. On this basis the decision was taken not to devote class time to the ethics discussions beyond sporadic reference to 'doing the right thing'. As a result, the ethics intervention was entirely online.

This study involved 44 students. There were 23 students in the 2010/2011 cohort, 7 female (30%) and 16 male (70%). Their ages ranged from 22 to 39 with the average being 26. Fifteen of the students were Irish with the remainder coming from China, Lithuania, Malaysia and Moldova. The 2011/2012 cohort included 21 students, 14 female (67%) and 7 male (33%). Their ages ranged from 22 to 35 with an average of 24. Eleven were Irish with the remaining coming from China, Norway, Canada and Saudi Arabia. These student cohorts were chosen for several reasons. First, the class size is considered by the lecturer as ideal for online discussion purposes. The lecturer could keep up daily with all student contributions, responding to and engaging with the discussion regularly. This ensured momentum was maintained – if the discussion faltered, a new question was

posed or a position challenged. Students responded to each other, often by name, and felt part of an online community which would have been difficult to manage had the group been larger. Second, the group is reasonably diverse in terms of both nationality and age with some of the students having previously worked in industry. Varying experience and maturity facilitated more informed debate than might have been expected in a more homogenous undergraduate group.

4.2. Metrics for measuring effectiveness

This study uses a 2×2 design comparing the moral reasoning of students in tax and social context ethical dilemmas before and after the online discussions in order to test their effectiveness. The social context ethical reasoning of students was measured using the three-scenario DIT⁴ (Rest 1986a). For the tax context, a tax-specific version of the DIT was used, the TPDIT (standing for Tax Practice DIT), also with three scenarios, the development of which is described in detail in Doyle, Frecknall-Hughes, and Summers (2009). The TPDIT was developed to preserve the psychometric characteristics of the original test and to match it as closely as possible to the three-scenario version of the DIT. Participants taking the DIT are presented with ethical dilemmas stated in third-person form. They are asked to rate the importance of 12 considerations relating to the dilemma, indicating how important each is (in their opinion) in making the decision described. The 12 considerations link to stages of CMD. The participant is then asked to select the four considerations that he/she considers to be of most importance and to rank these in order. Scoring the instrument results in a single measure known as the 'P' score (standing for 'principled moral thinking') for each participant (Rest 1994).

The difference in the TPDIT, as compared with the DIT, lies in the nature of the dilemmas and the related considerations following each dilemma, all of which are tax-related (Doyle, Frecknall-Hughes, and Summers 2009). The use of the TPDIT ensures that students' moral reasoning is examined within the relevant domain, as well as in the broader social context represented in the DIT. In order to address the potential issue of order effects a counterbalanced design was used with one version of the instrument having the DIT scenarios first and the other the tax scenarios. The instrument was administered to students during the first lecture of the semester and again at the end of the final lecture. In order to address any research ethics concerns involving the use of students as participants, the research instrument was administered to and collected from students by a third party not involved in the teaching or in the research. The instruments did not involve asking for names or any identifying information. Instead, students were asked to select a password and insert this on the instrument. They used the same password on the post-intervention instrument. The lecturer was therefore able to send the class their pre- and post-intervention scores without matching scores with particular students (further detail on how informed consent was secured from students is outlined in [Appendix 2](#)).

4.3. Students' perceptions of the salient issues

In order to identify the issues perceived as critical in guiding participants' reasoning and approach to ethical tax dilemmas, their contributions to the online discussions were analysed. Salient themes were identified and are outlined below.

4.4. Focus group

Finally, in order to gather rich qualitative data on the intervention's effectiveness, a focus group was conducted to elicit views on the intervention. The focus group (which included nine students) was also used to gather feedback on the students' perceptions and experience of the online discussions and the benefits they might have gained therefrom. Consistent with best practice in research ethics, students were invited to contribute only after all teaching and marking aspects of the module had been completed. They were offered a €20 book voucher to compensate for their time. The focus group was conducted by an independent party to facilitate students speaking openly about their experience of the intervention.

5. Findings

5.1. Online discussion contributions

This section gives an overview of the issues raised by students in response to the online stimuli. Identifying the issues of concern to students in approaching and solving ethical issues will facilitate educators and researchers to design ethics material encapsulating the significant issues for students and therefore more effective in prompting CMD.

5.1.1. Ethics in tax/business – general views

Many students remarked that they had never been introduced to ethics in a higher level context before. However, as the semester progressed many began to appreciate the ethical conundrums that may arise.

If the last couple of weeks of online discussions of different scenarios have taught us anything, we know that ethics should play a role in a tax practitioner's decision making process. (Student 26)

There was a strong cohort who did not really think ethics has a place in business, particularly in financial services.

most of us hang up our morals outside the door before entering the financial world. (Student 11)

Global markets were treated like the Wild West – anything goes. (Student 35)

The international students tended to be more convinced that there was a place for integrity and ethics in the work environment.

Finance more than most industries depends on a generally high level of ethics. Businesses are more likely to succeed when they base themselves in ethics-in honesty, integrity, and quality. (Student 11)

5.1.2. Legal rules

The majority seemed comfortable with equating legal compliance with ethical behaviour. Anything not breaching the letter of the law was acceptable. Time and again they referred to legal obligations, rules and what was legislatively correct, using this to benchmark how ethically correct something was.

All the accountants can do is the job they are hired to do within the regulations. It is up to the government to put the systems and laws in place that give the best outcome for society. (Student 5)

This reflects a law and order orientation consistent with stage 4 of Kohlberg's model. Students applied this 'letter of the law' perspective to tax avoidance, typically arguing that any interpretation following the strict letter of the law, regardless of whether or not it offended against the spirit of the legislation, was appropriate.

if they are able to get around loopholes legally... brilliant! (Student 2)

not one person can say that if they were presented with a legal method to reduce their tax liability they wouldn't take it. (Student 35)

Students seemed to view negativity around tax avoidance as jealousy on the part of taxpayers without the resources to avoid tax. They felt that to remain competitive, the tax industry had to provide clients with what they demanded.

When supply outstrips demand in a market as is the case in tax services now, since the economic downturn, there is increased competition on the supply side. It is this competition between firms that squeezes ethics from the spirit to the letter of the law. (Student 20)

However, some students considered that aggressive tax avoidance may not be ethical and rationalised their view using post-conventional rhetoric.

We live in a culture where it's applauded if you can retain one penny from the tax man, this has seemed to be encouraged by the further tax increases and the state of our public finances. This is accepted, but its morality can be questioned ... The rules obviously do create loopholes and as such acting within these loopholes is not wrong or illegal. However, sometimes it can be very clear that these loopholes are not intended for the purpose that they were being used. (Student 16)

It was occasionally argued that following the law represents the minimum standard governing behaviour and that, ideally, a higher standard should prevail. However, students appeared uncertain as to where the line should be drawn.

The law might not go far enough to prevent professionals ... [from engaging in] unethical behaviour. (Student 44)

any actions which are legal are ethical and any illegal actions are unethical. I would have to question this opinion on the strength of the ethical dilemmas we were faced with over the previous number of weeks. (Student 34)

5.1.3. Junior status

One of the frequently raised issues was the difficulty of remaining ethical when operating at a junior level. There was a strong feeling that one's actions were dictated by superiors and that the discretion to act according to personal volition was not an option when trying to establish a career. This is consistent with the idea that the work context and the organisational culture play an important role in how individuals frame dilemmas.

if you want to change the system you are not going to do that from an inexperienced position. First you must get to the top then go about changing attitudes and systems. (Student 12)

5.1.4. Pleasing client/boss

Students considered pleasing others to be a significant issue. Whether it was their employer, a client or close friends or family, relationships were seen as critical in assessing how to handle ethical scenarios. This reflects stage 3 moral reasoning.

business and private life should be considered separately, but it is difficult for everyone to do that. People tend to help the person who is a friend or who is the family in the work place. (Student 21)

blood is thicker than water. Jobs will come and go but family will remain. (Student 39)

However, these comments also echo Gilligan's ethics of care perspective. The students framed their moral approach within the context of particular relationships.

5.1.5. Personal gains

Many of the issues students considered critical in their approach to ethical dilemmas involved the impact their decisions would have on career prospects and personal reputation, again reflecting low-level moral reasoning.

Basically what I am saying is she should do whatever is necessary within limits to get further up the ladder. (Student 37)

Many suggested that doing the right thing might be rewarded by superiors. However, they felt this might be the correct strategy to take for personal gain rather than for the sake of doing the right thing.

it is better that she owns up. [While] the management might be upset with her mistake, [they] would be impressed with her honesty and the fact that she has the integrity to put her hands up and admit her mistake. This could even help her chances for the promotion. (Student 5)

5.1.6. Personal responsibility and professionalism

A number raised the issue of personal and professional responsibility regardless of the consequences of the action.

Having a clear demarcation line between private life and work is one basic requirement of professional ethics, especially in the financial industry. At the beginning of [Joe's] career life, he should behave for the long term. (Student 30)

These contributions suggest the existence of post-conventional level reasoning.

5.1.7. Organisational and national culture

Many students raised the issue of organisational culture in their contributions. This was consistent with their view that superiors in a working environment will govern their

behaviour at work – again highlighting the importance being placed on relationships and on organisational norms. National culture was also an issue.

it is essential that the tone of the organisation be driven from the top. Where fraudulent and unethical practices are frowned upon with dire consequences for those who breach them. (Student 17)

Jane's situation and the probable outcomes depend on the country she's in. As we are in Ireland, all this 'mistake' could be (and most likely, will) forgotten. ... Lots of people and companies lives in a 'don't care' or 'I get away with it' attitude, which was new to me when I came here from Lithuania, where business ethics is at higher level. (Student 3)

5.1.8. Benefit from tax revenue collected

The students appreciated that tax revenue funds government expenditure for the benefit of society. This was reinforced by the advertisement – the stimulus for one of the discussions. In the context of tax revenue, many of the students raised the issue of the equity of the tax system.

every public asset illustrated in the advert can be enjoyed in equal quantity by every individual ... [but] society pays taxes in various quantities ... and may make cynics ponder on the value of their tax Euros via the fruits of their labour being enjoyed by those who may be a burden on society. (Student 18)

The other significant issue raised was government legitimacy and the perception that taxpayers' money is often wasted.

there was a large amount of tax revenue wastage in previous boom years and the public have lost confidence or respect for the government because of this. (Student 13)

5.1.9. Conclusions

To conclude, however, some students recognised that, as professionals, they needed to avoid becoming part of what they perceived as a culture of unethical practice.

I'm sure similar situations faced Ireland's bankers over the last 15 years and their greedy attitude has led us down a dark road. There is a strong argument to suggest that the rot must be stopped at an early stage and any dishonest behaviour of any kind must be highlighted and stopped immediately. (Student 14)

The main cause of this crisis was greed. Obscene amounts of money was made and the potential long term consequences were irrelevant. It didn't matter that huge risks were being taken, it didn't matter that people's life savings were gambled at a whim. All that mattered were profits and that the rich got richer. The financial crisis will benefit the global economy in the long run. I do believe lessons have been learned. (Student 35)

5.2. Comparison of pre- and post-moral reasoning scores

The DIT produces a score indicating the percentage of post-conventional moral reasoning. In this study there are two such measures; one for social context dilemmas (PSCOREDIT) and one for tax-based dilemmas (PSCORETAX). Potential relationships between demographic information (age and gender), cohort of students (2010/2011 or 2011/2012),

Table 3. GLM within-subjects results.

	Type III sum of squares	df	Mean square	F	Significance
<i>Within-subjects effects</i>					
CONTEXT	990.933	1	990.933	4.408	.041
CONTEXT × PREorPOST	50.053	1	50.053	.223	.639
<i>Between-subjects effects</i>					
PREorPOST	11.741	1	11.741	0.035	.852

Table 4. Estimated marginal means.

PRE- or POST-intervention	Mean	Standard deviation
PSCOREDIT	Pre-intervention	32.8889
	Post-intervention	32.1739
	Total	32.5786
PSCORETAX	Pre-intervention	25.3333
	Post-intervention	27.3913
	Total	26.2264

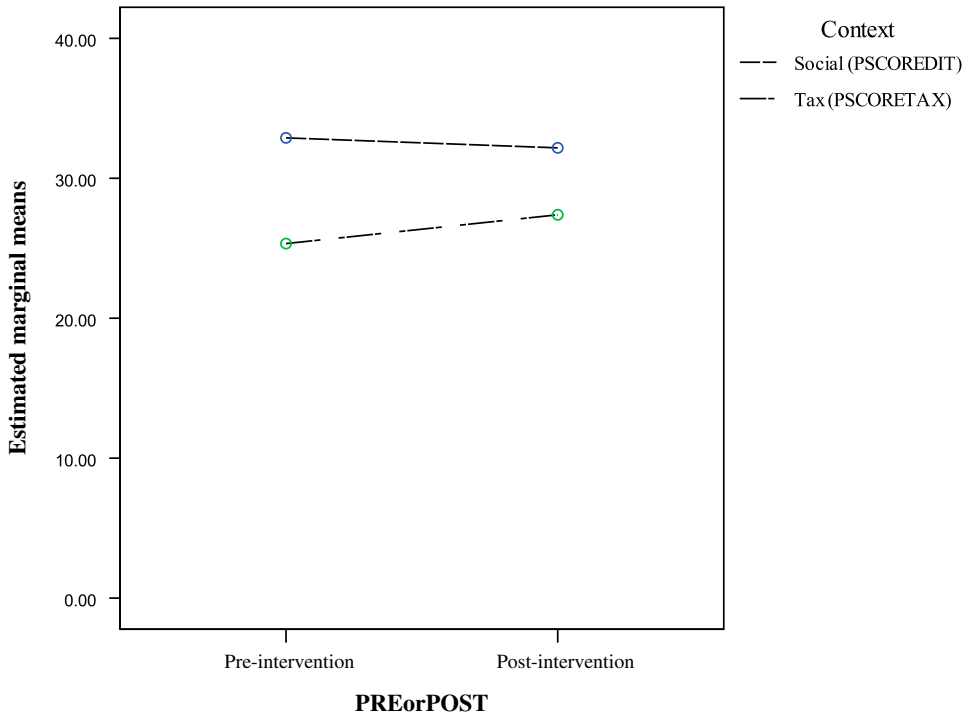


Figure 1. Pre- and post-scores for social and tax contexts.

scenarios order (social or tax context first) and P Scores were explored using multiple regression models to identify whether any needed to be included as covariates in the statistical model. None of the demographic variables had a significant effect on either PSCOREDIT or PSCORETAX.

The research hypotheses outlined above were tested using a GLM Repeated Measures analysis, with the two dependent variables captured by a within-subjects measure CONTEXT (social and tax), with PREorPOST (pre- or post-intervention) as a between-subjects measure. The results of this analysis are shown in Table 3.

As can be seen from the table, CONTEXT, the within-subjects measure reflecting PSCOREDIT and PSCORETAX, is significant ($F = 4.408, p = .041$). PREorPOST is not significant ($p = .852$). Furthermore, there is no significant interaction between CONTEXT and PREorPOST. The moral reasoning scores of students did not change significantly after the online discussions either in a social or a tax context. However, their level of reasoning in a tax context differs significantly from their reasoning in a social context, with social context reasoning being more principled. The estimated marginal means, set out in Table 4, show that in a social context there was virtually no movement in moral reasoning scores, whereas there was a slight increase in the tax context scores after the intervention (although this was not statistically significant). This is illustrated clearly in the interaction graph (Figure 1).

These results, therefore, do not support either research hypotheses and it appears that students' moral reasoning was not enhanced as a result of the educational intervention. This finding is consistent with Ponemon (1993). It is acknowledged, however, that the P score only captures development in CMD which does not capture any data on emotional responses or on variables that might impact on the ethics of care. Results also indicate, however, that the moral reasoning of students alters significantly as the context changes from social to tax. Furthermore, students reason at a significantly lower level in a tax context than they do in a social one.

5.3. Focus group findings

To investigate possible reasons for moral reasoning scores remaining largely static, a focus group was conducted with nine students (20%). The focus group was also used to gather feedback on the students' perceptions and experience of the online discussions and the benefits they might have gained therefrom. Consistent with best practice in research ethics, students were invited to contribute only after all teaching and marking aspects of the module had been completed. They were offered a €20 book voucher to compensate for their time. The focus group was conducted by an independent party to facilitate students speaking openly about their experience of the intervention.

Students admitted to being initially sceptical about the value of the ethics element of the module. However, once online discussions commenced they began to appreciate its merits. Most engaged wholeheartedly in the online discussions and reported enjoying the process, especially when they began to challenge each other and seek credible authority for their views in order to more strongly support their arguments. The key benefits articulated are discussed below.

5.3.1. Benefits associated with the online discussion of ethical issues in tax

The requirement for participants to think about their ethical stance in certain situations was identified as the primary benefit arising. Students felt they now appreciated the difference

between the position they would like to take as individuals and the perceived pressure to act differently when operating in a work context. The majority felt their lack of seniority would prohibit them from standing up for their ethical beliefs at work. They discussed how this appreciation made choosing an employer with a good ethical reputation particularly important. Furthermore, students suggested that the online discussions particularly highlighted the difference between the letter and the spirit of the law in a tax context.

The majority also felt the discussions encouraged critical thinking which was not as prominent in other modules. They admitted enjoying the discussions and reported learning a great deal from the inputs of classmates. However, this was tarnished a little by the perception that there were a few dominant contributors who tended to drive and sometimes dominate discussions.

The international students reported that the online discussions assisted them in improving their vocabulary; particularly on the basis that the informality of discussions represented contrast to the academic writing they were usually required to undertake.

Many participants commented on how interesting it was to be privy to the ethical views of classmates. There was agreement that a strong, reasoned argument by a peer sometimes resulted in individuals altering their initial view.

The discussions prompted some participants to read additional material not provided in the course outline. One participant commented that he had read a book on the ethical dilemmas facing a bank employee, which he had seen at home but had ignored prior to the discussions. Some students posted relevant articles on the course site for classmates to read. Additionally, the online discussion led to debate about ethics outside the classroom and online domains. Students remarked on how often the discussion would continue in the canteen over coffee and lunch.

5.3.2. Content and logistics

Students had strong opinions about how discussions were prompted in terms of stimuli and on the period of time allowed for each. Having to read an academic article was perceived as too time-consuming. The television advertisement and ethical vignettes were more popular. The international nature of the situations presented was applauded as allowing students to reflect on ethical dilemmas beyond the domestic context. There was a mixed response to the two-week duration for each discussion. A minority felt it was too long. Once students initially responded to the stimulus presented, the discussion often headed in a different direction very quickly. However, the majority felt that two weeks allowed ample time to carefully consider their contributions and prepare and post them. The international students welcomed a two-week period on the basis that English is not their primary language and they needed time to prepare their contributions. There was a suggestion that students might be invited to devise ethical scenarios to prompt online discussion themselves.

5.3.3. Suggested amendments

The focus group participants suggested a number of improvements to the online format.

Some students felt the online discussions should be worth more than 15% of the final module grade given the importance of ethics. Another suggested a word limit for each post in order to encourage more concise contributions. It was felt that, although the existing scenarios were interesting and prompted discussion, adding further emotional content to the scenarios would really challenge students' moral values. Perhaps this

suggests an ethic of care orientation and recognition that both cognitive and emotional responses are important when examining ethical dilemmas. It was proposed that student and lecturer contributions be made using a self-selected pseudonym (the lecturer alone would be privy to who was who to facilitate assessment). The anonymity thus provided would encourage participation and lessen the impact of individual personalities on the discussion.

5.3.4. *DIT scores*

The students were intrigued with the idea of an instrument that measured their CMD. Pre- and post-intervention scores were circulated to the class using the self-selected passwords students had chosen and inserted on their completed research instruments. Students could, therefore, identify their own scores without the lecturer being able to link students with scores. Some students expressed amusement at the fact that their post-module scores had decreased. Possible reasons for this were explored by the focus group.

When completing the pre-module instrument, there was a suggestion that some students may have ticked what they predicted to be correct answers rather than selecting considerations they thought were important. The reason advanced was the desire to make a good impression at the initial stages of the module (regardless of the fact that the instruments were completed anonymously). However, students argued that their ability to reason about ethics had been genuinely enhanced. Therefore, the later scores were more reflective of their actual ethical reasoning. Another interpretation advanced was that the decrease in some post-module scores may be as a result of the other modules on the programme stressing the capitalist model of enhancing shareholder value at any cost, while the tax module was the only exposure the students had to the ethical dimensions of business. Students struggled with receiving what they perceived as mixed messages across the programme in relation to whose interests should be considered and prioritised within a business context. Many students remarked that they had never before been exposed to ethics throughout their higher level education.

6. Discussion and conclusions

The objective of this research was to design an effective, tax context specific, ethical intervention for higher level students and to empirically test it for effectiveness both qualitatively and quantitatively. The intervention was designed to illustrate, in a variety of ways, how ethical issues can arise in tax. Online discussions were prompted using various stimuli to elicit debate, allowing students to reflect upon issues they may encounter as graduates, to begin to establish their personal principles in relation to ethical issues and to challenge each other to defend their views or accept the opinions of others through reasoned arguments. This process was designed to encourage the development of enhanced ethical reasoning skill.

The salient issues that emerged from the students' contributions to the discussions included the perception that there is no place for ethics in the contemporary financial services environment, the perceived influence that superiors have on new recruits in terms of dictating behaviour and how impotent students felt they would be in the context of a strong organisational culture, the importance of maintaining integrity and professionalism where possible and, at a minimum, to comply with the law. However, students were primarily concerned with their own career prospects and their personal reputation, often at the expense of integrity and honesty.

After participating in many ethical tax discussions ... in a lot of cases both I and my classmates...were also gravely concerned about covering their own a** first and foremost. (Student 18)

Some students did think that they represented a new generation of financial service professionals and needed to strive to change the nature of that business.

As the new generation of financial professionals, it is our responsibility to ensure the current mess will not repeat itself. [Being a] Banker is now one of the worst reputable professions on the street and we cannot afford to let this continue. Ask yourself, are you joining the banking industry because you want to join the big fat greedy crooks? Or it's because you feel your contribution can make things better again? (Student 10)

The contributions made by the majority suggested low-level moral reasoning, largely reflecting pre-conventional and conventional rather than post-conventional reasoning. However, the contributions suggest that this is because they perceive standing up for principles not to be an option in the financial services and tax industries. Students expressed a feeling of powerlessness in the face of an organisational hierarchy which gave no leeway for acting outside organisational norms. These findings suggest that educators need to do more to raise awareness of ethics in tax and to go further to arm students with the tools and confidence necessary to tackle ethical issues in the face of organisational pressure to do otherwise. Relationships with family friends, clients and work colleagues were deemed to be important when facing ethical dilemmas. This might be evidence of the existence of an ethic of care orientation.

The focus group feedback suggested that online discussions were effective in broadening students' appreciation of ethical issues within a tax context. Several benefits were identified, including the requirement to rationalise their position in relation to ethical issues and the necessity for critical thinking. The students also enjoyed the online discussions. That said, there were no statistically significant increases in the CMD scores of students in either a social or a tax context as a result of the intervention. Two reasons for this are advanced. First, there is a possibility that students did not complete the pre-intervention DIT properly in an attempt to make a good first impression on the lecturer (despite instruments being completed anonymously and the fact that the literature suggests that DIT responses cannot be faked). Second, the overwhelming focus in all other modules on the Masters programme on the capitalist model of maximising shareholder value may have caused moral reasoning to remain stagnant despite the ethical intervention, emphasising again how the culture within a domain (in this case an academic programme of study) can frame a particular way of thinking and being. Taking a full programme approach and incorporating ethical issues into all modules is likely to be a more effective method of enhancing CMD and may provide sufficient programme intensity to allow for moral reasoning development.

Interestingly, students' moral reasoning scores in the tax context were significantly lower than their scores in a social context. This may be because the tax context falls within the business domain prompting students to switch into the learned pattern where maximising stockholder value is the key objective. Further work with a larger group of students needs to be done to explore this difference.

The P scores that emerged from this analysis are interesting in themselves (see [Table 4](#)). They compare poorly with the average scores reported by Rest (1986a, iii) on the basis of the norms compiled by the CSED ([Table 2](#)). According to [Table 2](#), the scores

from this study are most comparable with those of average senior high students and are well below the level of adults and college students. The low scores found in this study are consistent with the findings of Breslin (1982), Kahn (1982) and O'Flaherty and Gleeson (2009) that Irish scores are lower than international norms. Further work needs to be done to investigate why scores achieved in this study are so low.

There are several ways in which the educational intervention might be improved for future cohorts. Maintaining student anonymity through the use of self-selected pseudonyms might encourage more honest debate of issues and prevent a certain few students dominating discussions. Allowing or requiring the students to contribute ethical dilemmas they have read about or experienced themselves may encourage participation and stimulate interest. The length of time allowed for contributions on a topic may need to be refined so momentum is not lost. Taking a more holistic view, students may have benefited from the completion of a reflective piece of writing on what they learned about ethics and how to approach ethical issues. Perhaps having the chance to consolidate their views after experiencing the intervention and other students' contributions would serve to enhance their moral reasoning. The administration of the research instruments to the students needs to be considered. The literature suggests that it is not possible to manipulate or fake the DIT due partially to the scenario-based nature of the test, as well as its response format (McGeorge 1975; Lovisky, Treviño, and Jacobs 2007). However, perhaps giving the students more detailed instructions and allowing a longer period of completion time might enhance student accuracy.

The issues raised in response to the stimuli presented to elicit debate may serve to assist educators and researchers in designing ethical interventions that speak to the concerns of students and are therefore more effective. In this way, this research provides a platform from which other educators may build more effective ethical interventions in order to tailor modules and/or courses to emphasise the importance of ethics and develop initiatives to stimulate ethical development. The aim must be to ensure that we stem the growing concern regarding the ethical behaviour of tax practitioners by educating future tax practitioners appropriately.

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Notes

1. Although it is possible to draw a distinction between 'ethics' and 'morality' (see, for example, Singer 1994, 7), one should note that the terms 'ethical' and 'ethics' are frequently used interchangeably with 'moral' and 'morality' without distinction of meaning throughout the literature in this area.
2. *SULIS* is one of the interactive computer packages used at the University where the research took place.
3. The aim of the lecturer contributions was to keep students involved in the discussion rather than to move the discussion in a particular direction. Examples include: 'That is an interesting idea, could you expand on that a little?'; 'There are some really interesting issues being raised by all those who have contributed so far. Does anyone have an alternative perspective to add to these?'; and:

I'd like to congratulate you on being honest about your position on this issue, even though it might not be what is considered socially desirable. It is often easy to identify what the correct course of action should be but not always so easy to follow it through when you are faced with the reality of the situation.

4. The short form DIT was utilised in order to facilitate comparison with scores from past studies and to minimise the time taken to complete the test. P scores rather than N2 scores were also used to facilitate comparison with prior studies.

Notes on contributor

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Appendix 1

Scenario 1

Jane is a tax practitioner with the accounting firm XYZ. Roswell Ltd is the first client that Jane was given sole responsibility for on the understanding that other big clients will be added to her portfolio when she has proved herself. During the course of the work on the current year tax return of Roswell Ltd, Jane discovers that the return that was submitted last year contained a material error. Jane herself did not personally prepare the client's tax return in the prior year. She had been heavily involved in a complex VAT transaction at the time and had delegated the compliance work to a trusted tax senior in the office. However, she did sign off on the tax return before it was submitted, having given it a cursory review. The error appears to have been made unintentionally and involved an extra zero being added to an expense deduction resulting in a deduction of €500,000 rather than €50,000. Correcting the error at this point will result in a significant additional tax liability for the client as well as the risk that the revenue authorities will seek to levy interest and penalties. The error cannot be easily reversed in the current year, however, it is highly unlikely that the tax authorities will detect the error, as an assessment has already issued for the tax year in question. This client was the subject of a Revenue audit two years ago and is unlikely to be selected for audit again in the medium term. Should Jane bring the error in the prior year return to the attention of the client?

Scenario 2

Joe is a tax practitioner with the accounting firm EFG. His sister-in-law, Mary, is the financial controller of one of Joe's corporate clients, Spectre Ltd, as well as mother to Joe's three rowdy nephews. While reviewing the tax issues facing Spectre Ltd for the current tax year, Joe identifies a number of opportunities that the company might take in order to reduce its effective tax rate. However, the opportunities Joe has identified are largely timing issues which will reduce the company's effective tax rate in the current year, but will result in an increased effective tax rate in subsequent years and therefore may not be in the long-term interests of the corporate client and its shareholders. The effective management of the company's effective tax rate is an important factor in arriving at Mary's annual bonus. Mary's husband (Joe's brother), Ben, lost his job almost a year ago. Ben and Mary are really struggling with their financial commitments and are counting very heavily on Mary's annual bonus this year. Should Joe recommend that the company take the opportunities that would lower its effective tax rate for the current year?

Extract from Novel

Extract from 'A Week in December' – *Sunday Times* Bestseller by Sebastian Faulks (2010, 11–12):

Another obvious precaution, taken by most senior people he knew, was not to pay tax. When it came to running his hedge fund, he naturally, therefore, based it offshore. He had chosen Zurich, because it was under the jurisdiction neither of the Financial Services Authority in London nor of the European Union. The large profits of High Level Capital were kept in the fund and rolled up abroad; it was structured so that it generated no taxable income. Vanessa, John Veal's Anglo-American wife, was for tax purposes not domiciled in Britain, and there were legal ways of making sure that the income they needed each year should be classified as foreign earnings in her name. A remittance of funds from abroad could alert the taxman, it was true, but the Veals family didn't need much income: John had no power boats or polo ponies; no collections of Sumerian stone tablets or early Picassos; no mortgage, no hobbies and no interests outside work. He hadn't even dug out the basement of his house to stick in a swimming pool. Petty cash could also be bled out of the fund through a web of trusts held in the names of his two children, Bella and Finn. Well, it wasn't his fault; he didn't make the laws. He disliked the famous remark made by a New York billionaire that taxes were for the 'little people'. It sent out the wrong signals. John Veals did, however, share the more elegantly phrased view of many of his senior colleagues in the London hedge fund and banking world that 'income tax is voluntary'.

Appendix 2

Before any research was carried out, an application for research ethics approval was made to the relevant university research ethics committee and full research ethics approval was granted for this study. During the course of the module the students were not aware that the author hoped to conduct academic research on their moral reasoning development. They participated in the online discussion as part of a tax module which includes ethics as a component. Once all aspects of the module had been completed (including examination and grading, with the grades submitted to the relevant university body), the researcher contacted the students who took the module by email, explained the purposes of the research fully and asked for their consent to use their ethical reasoning scores and their online contributions for the purposes of the research. The proposed methodology was comprehensively explained so students were fully cognisant of every aspect of the study and their potential involvement in it. When the students completed the DIT and the TPDIT, they were asked not to put their names on the completed instruments, but rather to use an individual password that they would take note of, but not divulge to anyone else. They were instructed to use the same password when completing the post-intervention instrument so that pre- and post-scores could be linked for each participant. However, the researcher had no way of identifying which students filled out which instrument at this point. Students indicated their consent to their scores and contributions being used for the research project after they had completed the module by sending their individual password to the researcher. This process ensured that no student was coerced into participating as no student/teacher relationship existed at the time consent was sought and the students had to actively consent before their data could be used.

In order to secure participation in the focus groups, an email was sent to the class asking for volunteers. Once again, this did not happen until all aspects of the module had been completed. The focus groups were conducted by a third party with no connection with the University in order to facilitate honest discussion of the relevant issues.

As an incentive to participate in the focus groups, students were offered a €20 book token. They were also offered a €10 voucher for the use of their ethical reasoning scores and their contributions to the online discussion. In practical terms, this meant that an individual student could benefit from participating to the value of €30 if they consented to participate fully in all aspects of the study. On the basis that the focus group took about 90 minutes of a student's time, this was considered to be an appropriate amount.