

## Restoring the moral credibility of the accounting profession: a Malaysian university example

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### ABSTRACT

*This study sought to assess the moral competencies of third-year accounting students enrolled at the International Islamic University Malaysia (IIUM). An instrument was developed through a collaboration with Islamic accounting and Fiqh Muamalat scholars to measure the moral competencies of these students from a wholly Islamic perspective. 105 enrolled third-year students were surveyed. The results of the survey revealed that according to IIUM's own grading system, the current crop of third-year accounting students were not morally competent enough to deal with the inevitable moral dilemmas they would face in the work place. The implications of these results is that at the moment, IIUM's accounting department is not meeting the government's mandate to produce morally competent professionals. The department has to re-examine its current curriculum as to its ethics coverage, particularly regarding qualities that the students scored very low on.*

**Keywords:** Moral competence; Accounting students; University education; Ethics education; Islamic perspective;

### INTRODUCTION

In the earliest part of the twenty-first century, the world was rocked by several financial scandals; from Enron to WorldCom; Tyco to Parmalat; Arthur Andersen to Shell, and more recently, the global financial crisis and the Toshiba financial scandal (Bayou et al., 2011; Addady, 2015); these scandals directed the world's attention towards the issue of ethics education, and its role in developing the moral competencies of future accountants and corporate leaders.

The concern about the rampant increase in immoral practices of accountants and businessmen was not restricted only to America and Europe; there was also concern in Malaysia (Abu Bakar et al., 2010; Yunus and Abdul Rashid, 2011; Eid, 2012). In order to address this alarming increase in unethical and immoral behaviours among business people in Malaysia, the government focused on the educational sector as a viable mechanism for checking this growing menace. This is evidenced by a 2012 blueprint to overhaul the Malaysian educational system within thirteen years (Malaysia Education Blueprint 2013-2025, 2012). This blueprint had eleven key objectives, one of which was directly targeted to the issue of moral competence amongst young Malaysians, and was stated as follows: "Every student leaves school as a global citizen imbued with core, universal values and a strong Malaysian identity" (Malaysia Education Blueprint 2013-2025, 2012, p34). The Malaysian government's message to all educational institutions in Malaysia regarding moral competence is clear: Produce students who have excellent moral values and ethics.

Three years have passed since the government's 2012 mandate to universities for the production of morally competent professionals. This paper sought to shed light on how well Malaysian universities are fulfilling this crucial mandate specifically regarding future accountants by assessing the moral competencies of third-year accounting students enrolled at the International Islamic University Malaysia (IIUM). With 61.3% of the Malaysian population being Muslims, accounting students enrolled at IIUM represent a sample of the majority of the next generation of Malaysian accountants. As this paper dealt exclusively with Muslim accounting students, moral competence was viewed from a wholly Islamic perspective with complete reliance on Islam's primary sources of guidance: The Noble Quran and *Sunnah* of the Prophet Muhammad (Peace be upon him [PBUH]).

The rest of the paper proceeds as follows: Firstly, a literature review of the scholarship on the relationship between university education and moral competency is presented. Secondly, this paper's conceptual framework is presented, followed by the research methodology adopted. The findings of the paper are then presented, along with a discussion of their implications. Finally, the paper ends with a conclusion.

#### **LITERATURE REVIEW: UNIVERSITY EDUCATION AND MORAL COMPETENCE**

The papers reviewed were concerned with the relationship between various aspects of education and the development of the moral competence. Specifically there were two key concerns: 1) The impact of education in general on moral competence, and 2) The impact of "ethics" education on moral competence. An overview of each of these concerns is provided below.

##### **The impact of education on moral competence**

Swiss psychologist and philosopher, Jean Piaget was arguably one of the most influential proponents of the importance of education in the moral development of individual, particularly those of children (Rest, 1989). In his 1932 landmark work entitled "The Moral Judgment of the Child", he sought to investigate the moral developmental process of children by interviewing a large number of children from various schools in the Swiss towns of Geneva and Neuchatel. The results of these interviews led to the postulation of a theory of child moral development that consisted of four developmental stages: The first stage was called sensorimotor stage; the second stage called the preoperational stage; the third stage was called the concrete operational stage, and the final stage was the formal operational stage. Piaget (1932) concluded that children's morality is shaped by what they observe, and thus educational institutions have a critical role to play in their moral development by providing an interactive learning environment.

Lawrence Kohlberg, an American psychologist, built upon the work done by Piaget (1932). Kohlberg (1958) argued that the main goal of education should be moral development. He sought to assess the impact of education on the moral development of children of ages 10-16 by assessing their responses to various moral dilemmas. The major fruit of his research was the postulation of the now very famous "stages of moral development". Kohlberg's (1958) theory of moral development identified six stages of moral development, classified under three levels, each level containing two stages. The first level is called the pre-conventional level containing stages 1 and 2; at stage 1, a child acts morally so as to avoid punishment, while at stage 2, he or she acts morally to earn a reward. The next level is the conventional level containing stages 3 and 4; at stage 3, a child acts in a way that is accepted by society, and at stage 4 a child obeys the established laws of the land. The final level is the post-conventional level containing stages 5 and 6; at

stage 5, a child chooses actions that will benefit the majority (this is similar to the utilitarian rule of ethics), and at stage 6, a child acts based on universal principles.

Rest (1986) followed in the footsteps of his mentor, Kohlberg, by theorizing that if educators were to effectively enhance the moral development of students, they had to understand the psychological processes that needed to take place for moral action to occur. He developed a four-component model of ethical behavior to explain these processes. The 1<sup>st</sup> component was moral sensitivity which is the recognition of the existence of an ethical problem; the 2<sup>nd</sup> component was moral judgment which is making a determination of the right course of action to take in that specific ethical context; the 3<sup>rd</sup> component, moral motivation refers to the strength of an individual's conviction to actually follow through with the right course of action identified through his moral judgment, and the 4<sup>th</sup> component, moral character represents the actual implementation of the chosen course of action. Rest (1986) argued that by understanding these four components, educators could develop ethics curricula that would enhance each of these components, and thus improve the moral competencies of students.

After these landmark pieces of scholarship by Piaget (1932), Kohlberg (1958) and Rest (1986), several studies have sought to empirically test the role of a university education on the moral competencies of students. A majority of these studies, Chafi's (2013) and Özdemir et al.'s (2015) studies being the only dissenting voices, provided evidence to support the assertion that education, regardless of the level, has a positive impact in developing students' moral competencies (Liaquat et al., n.d., Al-Ansari, 2002; Schillinger, 2006; Thomas, 2012; Clipa and Iorga, 2013; Doyle and O'Flaherty, 2013). Moral development was more pronounced in students of the humanities than those involved in technical disciplines (Lofstrom, 2012; Lajciakova, 2013).

#### **The impact of “ethics” education on moral competence**

Unlike studies in the section above that focused on the impact of education in general on moral competence, those reviewed in this section focused on determining the impact of ethics education, be it a stand-alone ethics course or integrated ethics coverage within the curriculum, on the moral competencies of students. A review of these studies revealed that the results were mixed, with some studies finding a positive relationship between ethics education and moral competence (Sullivan, 2004; Dellaportas, 2006; Abdulmohammadi & Baker, 2007; Bosco et al., 2010; Saat et al., 2010; Pleban et al., 2011; Holmes et al., 2012), and others finding no significant relationship between these two concepts (Altmeyer et al, 2011; Chaganti, 2012; Padia & Maroun, 2012; May & Luth, 2013; Self et al., 2013).

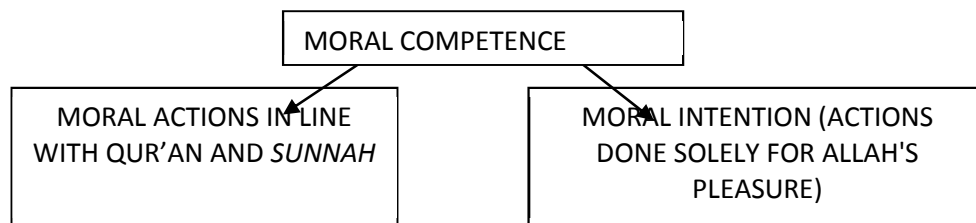
#### **CONCEPTUAL FRAMEWORK**

As previously discussed, the *sole* focus of this study was on future *Muslim* Accountants, which are identified as third-year *Muslim* accounting students enrolled at IIUM. For this reason the concept of moral competence was considered from a wholly Islamic perspective, which is to say from the concept of The Noble Qur'an and *Sunnah*. Thus, a morally competent Muslim accountant was defined as **one who has the ability to make moral decisions in line with the commands of Allah in the Noble Qur'an, and in accordance with the Sunnah of the Noble Prophet Muhammad (PBUH), in discharging his or her duties as an accountant.**

In Islam, this concept of moral competence is made up of two separate but interdependent parts: 1) doing the right thing (moral action), and 2) doing the right thing for Allah's sake alone (moral intention). In the sight of Almighty Allah, a moral action is

only acceptable if the moral intention is solely for His pleasure. The Blessed Prophet Muhammad (PBUH) explains this very important point in the famous *hadith* narrated by Umar bin Al-Khattab: **The Messenger of Allah (PBUH) said, "The deeds are considered by the intentions, and a person will get the reward according to his intention. So whoever emigrated for Allah and His Messenger, his emigration will be for Allah and His Messenger; and whoever emigrated for worldly benefits or for a woman to marry, his emigration would be for what he emigrated for"** (Riyad as-Salihin, Book 1, *Hadith* 1). This is a very crucial concept which this study took into consideration when assessing the moral competencies of Malaysia's future Muslim accountants. Figure 1 below illustrates the above mentioned conceptualization of moral competence.

Figure 1: Conceptualization of Moral Competence



### RESEARCH METHODOLOGY

This section of the paper present the study's research design and methodology. Firstly, an overview of IIUM is provided, with particular emphasis on the accounting department from which the students that participated in the study belong to. Secondly, the steps followed to develop a profile of a morally competent Muslim accountant are presented. Thirdly, the steps followed to develop the instrument to measure the moral competencies of Muslim accounting students is presented. Finally, the actual procedure adopted for measuring the moral competencies of the specified students is discussed.

#### **An overview of the International Islamic University Malaysia (IIUM):**

IIUM was established on 23rd May, 1983 based on the philosophy that all fields of knowledge should lead toward the recognition of, and submission to, the fact that Almighty Allah is the only one worthy of worship and is the Absolute Creator and Master of the universe. IIUM has a four-pronged mission of Integration, Islamization, Internationalization and Comprehensive Excellence (International Islamic University, 2014). IIUM's accounting programme claims to integrate Islamic principles with contemporary accounting knowledge. At the time this study, IIUM department of accounting had 28 academic staff and 552 undergraduate students enrolled.

Third-year IIUM accounting students were selected for this study for two reasons: Firstly, these students have been in the system for three years, and thus the impact of IIUM's accounting curriculum would have taken a significant effect on their moral competencies. Secondly, as these students still had one more year before graduation, whatever deficiencies in moral competency that this study discovered could be addressed and rectified by IIUM's accounting department before these students graduated.

#### **Developing the Profile of the morally competent Muslim accountant**

This section described the process adopted in order to develop the profile of a morally competent Muslim accountant. The profile was developed from the perspective of the Muslim accounting graduate, and was divided into two components: 1) Finding the "right" job, and 2) Following an Islamic "code of conduct".

For the Muslim accounting graduate, the first challenge that faces him or her is finding the “**right**” job. The “right” job is one where all activities are in line with the Qur’an and *Sunnah*. After securing a job at an Allah-approved organization, the next concern for the morally competent Muslim accountant is to fulfill his or her duties in accordance with the commands of Almighty Allah. This “Code of Conduct” represented the second component of the profile. The objective of this component of the profile was to develop a comprehensive Islamic code of conduct that includes all the qualities that a morally Muslim accountant must display in order to please his Creator. In order to develop this code of conduct for Muslim accountants, the study adopted a two-pronged approach.

The first prong was to adopt the code of conduct for Muslim accountants developed by the Accounting and Audit Organization for Islamic Financial Institutions (AAOIFI) as a foundation for this component of the profile. AAOIFI’s code of conduct for Muslim accountants was published in 1991 and is derived from the Noble Qur’an and *Sunnah*; this made it an excellent starting point. AAOIFI’s code of conduct contains five ethical principles described below:

1. Trustworthiness: The Muslim accountant should be straightforward and honest whilst discharging his duties, and must never present untruthful information.
2. Objectivity: The Muslim accountant should be fair, impartial and free from any conflict of interest.
3. Professional competence and diligence: The Muslim accountant must possess the requisite skill necessary to successfully discharge his duties.
4. Confidentiality: The Muslim accountant must never divulge information obtained about an organization during the course of discharging his or her duties without permission unless he or she is legally or professionally obliged to do so.
5. Professional conduct and technical standards: The Muslim accountant must observe the rules of professional conduct and obey the accounting and auditing standards of Shariah-compliant organizations.

The second prong was to interview and consult extensively with five Islamic scholars well versed in the Qur’an and *Sunnah*, particularly in the areas of “Islamic accounting” as well as “*Fiqh Mu’amalat*” (Laws of Islamic business transactions). These consultations established the content validity of AAOIFI’s code of conduct. In addition to the five qualities listed by AAOIFI’s code of conduct, the scholars suggested that three more qualities be added under the umbrella of “Faith-Driven” conduct, which are unique to the Muslim accountant. These qualities included 1) Avoiding interest, 2) Avoiding gambling, and 3) Avoiding physical contact with the opposite sex (*non-mahram*).

#### **Developing the Muslim Accountant Moral Competency Test (MAMOC)**

A collaborative effort with five Islamic accounting and *Fiqh Mu’amalat* scholars resulted in the development of nine interrelated ethical scenarios to measure each of the nine qualities of a morally competent Muslim accountant highlighted above. The instrument thus developed is called “The Muslim Accountant Moral Competency Test” or “MAMOC”.

MAMOC had a title and three main sections: The instrument was titled “Understanding the Career Aspirations and Work-Related Decisions of Future Accountants”. In order to minimize social desirability bias amongst the respondents, the study’s objective was disguised by giving the instrument this neutral heading without any obvious moral overtones. The first section was a demographic section. The second section was titled “Choosing your dream job”. Here, the respondents were given a choice of five job offers from companies in different industries. Each job offer had a company description, a job description and an annual salary. This section sought to determine if the

Muslim accounting students knew what the right job was from an Islamic perspective. To test this important aspect of the students' moral competencies, all the jobs offered were unacceptable from an Islamic perspective; It was expected that the morally competent student would recognize this, and consequently reject all job offers on the basis of their unacceptability Islamically. The third section was titled "Living your dream job", and contained eight ethical scenarios, with each scenario testing each of the eight qualities of a morally competent accountant mentioned earlier.

The ethical scenarios contained in the instrument were then resolved by the scholars based on evidence from the Qur'an and *Sunnah*. Their solution served as the model answer to each scenario, and also served as a scoring guide for determining the moral competencies of the students surveyed. A pilot student using 1st-year Muslim students from the Economics and Management Faculty at IIUM revealed that MAMOC's instructions were clear to the students, and that the model answers were reliable.

As specified in an earlier section of this paper, moral competence (MC) from an Islamic perspective is a product of two components: moral action in line with the Qur'an and *Sunnah* (MA) and moral intention to please Almighty Allah alone (MI). Participating students were asked to resolve each scenario by stating the action they would advise their friend to take (MA), and providing a reason for that advice (MI). If a student's MA corresponded with the model MA, a score of 1 was given; if it did not, a score of 0 is given. The same rule applied for MI (1 for the correct reason, and 0 for incorrect reason). For each scenario, a student's  $MC = MA * MI$ . For a student to have a score for any scenario, both MA and MI must have corresponded with the model answers, otherwise he or she scored 0 for that scenario. Scores for each scenario were added to provide an overall MC score for each student; MC scores could range from a minimum of "0" to a maximum of "10"

### Measuring the moral competencies of third-year Muslim accounting students at IIUM

All sections of a compulsory third-year accounting course were surveyed using MAMOC. 105 third-year students completed the questionnaire.

#### RESEARCH FINDINGS AND DISCUSSION

This section of the paper presents the research findings and their implications. The descriptive statistics of the study's respondents is presented first. The students' mean MC scores are presented next, and this is followed by a more detailed analysis of their performance for each scenario and the implication vis-a-vis their future as Malaysian accountants. To provide insight as to the performances of the students overall vis-a-vis their moral competencies, as well as their performance for each scenario, IIUM's undergraduate grading system was utilized. The lowest grade for a pass is a grade of "C". The grading system is presented in Table 1 below:

**Table 1: IIUM Undergraduate Grading System**

| Percentage Score | Letter Grade | Quality Point Equivalent | Remark         |
|------------------|--------------|--------------------------|----------------|
| 85-100           | A            | 4.00                     | Excellent      |
| 75-84            | A-           | 3.67                     | Extremely Good |
| 70-74            | B+           | 3.33                     | Very Good      |
| 65-69            | B            | 3.00                     | Good           |
| 60-64            | B-           | 2.67                     | Fairly Good    |
| 55-59            | C            | 2.33                     | Satisfactory   |

|       |    |      |                    |
|-------|----|------|--------------------|
| 50-54 | C- | 2.00 | Quite Satisfactory |
| 45-49 | D  | 1.67 | Poor               |
| 40-44 | D- | 1.33 | Very Poor          |
| 35-39 | E  | 1.00 | Extremely Poor     |
| 0-34  | F  | 0.00 | Failed             |

Source: IIUM website

### Moral Competencies of Third-year Muslim Accounting Students at IIUM

Tables 2 and 3 below presents information about the study's sample via descriptive statistics: The 105 students sampled had an average age of 21.99 years, and females made up 73.3% of the sample, with 77 out of the 105 being females. Table 4 presents the mean moral competency of the 72 third-year Muslim accounting students surveyed at IIUM. The students' had a mean moral competency of 5.27 out of a maximum of 10; This is a percentage score of 52.7%, which according to Table 1 means that the third-year accounting students surveyed earned a moral competence grade of "C-" which IIUM considers "Quite satisfactory", but interestingly is below the "C" grade necessary for graduation from the accounting department. The implication of this statistic is that according to IIUM's own grading standards, their third-year class is not at an acceptable level of moral competence needed to deal with the inevitable moral dilemmas in the work place.

The Malaysian government's 2012 mandate that all universities are to develop morally competent accountants is not currently being achieved by IIUM's accounting department, based on the university's own grading system. Additionally, the department is falling below its stated aim of producing accounting professionals that "observe ethical norms in their conduct" (Bachelor of Accounting Programme Description, n.d.). In light of these revelations, it is very important for the department to review the ethical content of its curriculum, and hold targeted discussions with the academic staff in order to come up with strategies to address this important task of enhancing the moral competencies of these students before they graduate in a year's time. An examination of how well the students performed vis-a-vis each scenario will shed more light on the specific qualities the department needs to focus on developing amongst their accounting students. Table 5 below presents the students' mean moral competence scores for each scenario.

#### Section 2: Choosing your dream job

Table 5 below shows that only 21% of the students were able to understand that none of the five jobs offered were acceptable from an Islamic perspective. According to IIUM's grading system, the students scored a failing grade of "F" in this scenario. In assessing the responses of the majority of the students who failed to successfully resolve this scenario, it was observed that salary was the major motivation for job selection, closely followed by personal interest.

This statistic has grave implications regarding the moral competencies of Malaysia's future Muslim accountants. This is because, working in an organization that is involved in *haram* (prohibited) activities has devastating spiritual effects on the soul of a Muslim. All earnings from such a job are considered *haram*, and thus any usage of those earnings are also considered *haram*. In fact, choosing to work in a *haram* organization negates all the other eight qualities included in the profile of a morally competent accountant. Being trustworthy and professionally diligent whilst working in a *haram* organization has no value in the sight of Allah, as the foundation is rotten, and Allah only accepts what is pure. The following *hadith* provides a clear description of the grave

consequence of choosing a *haram* job: Narrated Abu Hurairah: that the Messenger of Allah (PBUH) said: "O you people! Indeed Allah is Tayyib (good) and he does not accept but what is good. And indeed Allah ordered the believers with what He ordered the Messengers. He (PBUH) said: 'O you Messengers! Eat of the good things and do righteous deeds. Verily I am well acquainted with what you do (Q23:51).' And He said: 'O you who believe! Eat from the good things We have provided you (Q2:172).' He said: "And he mentioned a man: 'Who is undertaking a long journey, whose hair is dishevelled and he is covered with dust. He raises his hands to the heavens and says: "O Lord! O Lord!" Yet his food is from the unlawful, his drink is from the unlawful, his clothing is from the unlawful, and he was nourished by the unlawful. So how can that be accepted?'" (Jami at-Tirmidhi, Book 47, *Hadith* 3257).

This statistic also serves as a much-needed reminder for the accounting department at IIUM. The department has claimed as its mission statement, the development of accountants inculcated with Islamic values; However, close to 80% of their third-year class do not possess the fundamental moral competence to understand that they must work in an organization approved by Allah to be successful in this world and the next. It is hoped that this will spur the department to make sure that these students are inculcated with this fundamental aspect of Islamic moral competence before they graduate.

**Table 2: Average age of respondents**

|                    | N   | Minimum | Maximum | Mean  | Std. Deviation |
|--------------------|-----|---------|---------|-------|----------------|
| AGE                | 105 | 21      | 24      | 21.99 | .353           |
| Valid N (listwise) | 105 |         |         |       |                |

**Table 3: GENDER**

|            | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| Valid MALE | 28        | 26.7    | 26.7          | 26.7               |
| FEMAL E    | 77        | 73.3    | 73.3          | 100.0              |
| Total      | 105       | 100.0   | 100.0         |                    |

**Table 4: Mean moral competence scores for third-year IIUM accounting students**

|                    | N   | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|-----|---------|---------|------|----------------|
| MCSCORE            | 105 | 1       | 10      | 5.27 | 1.943          |
| Valid N (listwise) | 105 |         |         |      |                |

**Table 5: Mean Moral Competence scores for each scenario**

| Scenario             | Mean MC score | Grade | Remark         | Status (Pass/Fail) |
|----------------------|---------------|-------|----------------|--------------------|
| Job selection        | .21           | F     | Failed         | Fail               |
| Professional Conduct | .70           | B+    | Very good      | Pass               |
| Trustworthiness      | .77           | A-    | Extremely good | Pass               |



|  |     |    |                    |      |
|--|-----|----|--------------------|------|
| Professional Competence and Diligence  | .30 | F  | Failed             | Fail |
| Avoiding interest                      | .37 | E  | Extremely poor     | Fail |
| Avoiding gambling                      | .44 | D- | Very poor          | Fail |
| Avoiding contact with the opposite sex | .59 | C  | Satisfactory       | Pass |
| Objectivity                            | .89 | A  | Excellent          | Pass |
| Confidentiality                        | .50 | C- | Quite satisfactory | Fail |
| Final choice                           | .50 | C- | Quite satisfactory | Fail |

### Section 3: Living your dream job

#### Scenario 1: Professional Conduct

Table 5 above shows that unlike in the "choosing your dream job" scenario where the students' had a failing grade, they did much better regarding resolving the professional conduct scenario, with a percentage score of 70% corresponding to a "B+" grade which is ranked as "very good". The implication of this statistic is that a majority of IIUM's third-year accounting students understood that a job was a trust and that Allah would hold them accountable for fulfilling that trust. Almighty Allah says: **"Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Indeed, Allah is ever Hearing and Seeing" (An-Nisa: 58).**

#### Scenario 2: Trustworthiness

Table 5 above reveals that 77% of the students showed signs of trustworthiness by correctly resolving this scenario. This earned them a "A-" grade and an "extremely good" performance regarding this quality. The students who successfully resolved this scenario revealed an understanding of the fact that they had a moral obligation to avoid the manipulation of financial statements despite external pressure from superiors. As Muslim accountants, accountability is first and foremost to Allah above all else: **That is only Satan who frightens [you] of his supporters. So fear them not, but fear Me, if you are [indeed] believers (Ali 'Imran: 175).**

#### Scenario 3: Professional Competence and Diligence

Table 5 above reveals that only 30% of the students correctly resolved this scenario, thus earning them a failing grade of "F". 70% of the students put their personal interests over their diligence as accountants by advising their friend in the scenario to place RM20 of his own money into the company account to rectify a discovered irregularity, so as to make a flight for a holiday; The justification for this choice was that the amount was immaterial. Islam holds Muslims to a much higher standard, and regardless of the amount of the irregularity, the correct resolution that reflected professional competence and diligence was for the accountant to go through all the company transactions again so as to identify and rectify the irregularity. This is what his job entails and as a Muslim accountant, he is obligated to fulfill. **"O you who have believed, fulfill [all] obligations..." (Al-Ma'idah:1).**

#### Scenario 4: Avoiding Interest

Table 5 above shows that 37% of the students correctly resolved this scenario, which earns a grade of "E" and a remark of "Extremely poor". Only 38 out of the 105 students understood that dealing with interest is strictly forbidden in Islam.

IIUM's accounting department has significant room for improving the students' moral competence regarding dealing with interest, as it is a major sin with severe consequences: **"O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged (Al-Baqarah: 278-279).**

#### Scenario 5: Avoiding gambling

Table 5 above reveals that only 44% of the students correctly resolved this scenario, thus earning a "very poor" grade of "D-". The students' responses showed that 56% of them did not realize that any form of gambling is prohibited in Islam, even if it is done supposedly to encourage a virtuous behaviour, as was the case in the scenario. **"O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone altars [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful" (Al-Maidah: 90).**

#### Scenario 6: Avoiding physical contact with the opposite sex (*non-mahram*)

Table 5 above reveals that 59% of the students correctly resolved the scenario, earning a grade of "C" which is deemed "satisfactory". This statistic is important due to the fact that in Islam, men and women who are unrelated (*non-mahram*) are not allowed to have any physical contact whatsoever. This is evidenced by the following hadith: **Ma'qil ibn Yassar said: the Messenger of Allah (PBUH) said: "For one of you to be stabbed in the head with an iron needle is better for him than that he should touch a woman who is not permissible for him."** (At-Tabarani, *al-Kabeer*, 486).

#### Scenario 7: Objectivity

Table 5 above reveals that 89% of the students correctly resolved this scenario, thus receiving an "excellent" grade of "A". 93 out of the 105 students understood that as Muslim accountants, they have to be objective in discharging their duties; There is no room for bias as an accountant. This is a comforting statistic regarding Malaysia's future Muslim accountants, considering that in Islam, objectivity is synonymous with justice and is a very important virtue: **O you who have believed, be persistently standing firm for Allah, witnesses in justice, and do not let the hatred of a people prevent you from being just. Be just; that is nearer to righteousness. And fear Allah; indeed, Allah is Acquainted with what you do (Al-Maidah: 8).**

#### Scenario 8: Confidentiality

Table 5 above reveals that only 50% of the students correctly resolved this scenario, earning them a "C-" grade which is regarded as "quite satisfactory". The scenario was designed to test the students' understanding regarding the limits of confidentiality as Muslim accountants. Muslim accountants are bound to keep the secrets of the company as long as their actions are good; once they venture into systematic evil (cooking the books in this scenario), their loyalty ends and they have to become whistleblowers so as to safeguard the rest of society from the evil consequences of the company's actions: **"... And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed, Allah is severe in penalty" (Al-Maidah: 2).**

#### Scenario 9: Final Decision

Table 5 above shows that exactly 50% of the students correctly resolved this scenario, thus earning a "quite satisfactory" grade of "C-". The students were asked if they would still work in the company considering their experiences in all the previous scenarios. The students who successfully resolved this scenario understood that as Muslims, they

were not allowed to stay in an environment where evil activities are predominant. The following verse explains this fact: **And it has already been revealed to you in the Book (this Quran) that when you hear the Verses of Allah being denied and mocked at, then sit not with them, until they engage in a talk other than that; (but if you stayed with them) certainly in that case you would be like them. Surely, Allah will collect the hypocrites and disbelievers all together in Hell" (An-Nisa: 140).** As-Sa'di, the renowned commentator of the Noble Quran, explains this verse as follows: "That is, if you sit with them in the situation mentioned then you are like them, because you have approved of their disbelief and mockery, and the one who approves of sin is like the one who does it. The point is that the one who attends a gathering in which Allah is disobeyed has an individual obligation to denounce them, if he is able to do so, or to get up and leave, if he is not able to denounce it" (*Tafseer As-Sa'idi*, p210).

### CONCLUSION

Two decades of financial scandals have seriously damaged the credibility of accountants as guardians of financial information. To repair this credibility, universities have been identified as crucial to the development of morally competent accountants for the future. In 2012, the Malaysian government joined this crusade through the release of a blueprint to revolutionize the Malaysian educational system. One of the key mandates of this blueprint was for Malaysian educational institutions to produce morally competent professionals. This study sought to assess the progress of Malaysian universities in meeting this important mandate by evaluating the moral competencies of third-year accounting students enrolled at the International Islamic University Malaysia (IIUM).

As IIUM is an Islamic university, and all its third-year students are Muslims, an instrument was developed through a collaboration with Islamic accounting and Fiqh Muamalat scholars to measure the moral competencies of these students from a wholly Islamic perspective. Islam's two primary sources of guidance, The Noble Quran and *Sunnah* were relied upon to develop this instrument. The instrument called Muslim Accountant Moral Competency Test (MAMOC) contained ethical scenarios to measure nine qualities required for a morally competent Muslim accountant; 105 third-year students were surveyed using MAMOC.

The results of the survey revealed that according to IIUM's own grading system, the current crop of third-year accounting students were not morally competent enough to deal with the inevitable moral dilemmas they would face in the work place. The students were particularly weak regarding selecting an Islamically-appropriate place to work as well as in being diligent when discharging their accounting duties. On the bright side, the students showed a very clear understanding of the importance of being trustworthy and objective as professional accountants.

This implications of these results is that at the moment, IIUM's accounting department is not meeting the government's mandate to produce morally competent professionals. The department has to re-examine its current curriculum as to its ethics coverage, particularly regarding qualities that the students scored very low on. The department has as its stated mission the production of accounting graduates "who are professional competent and observe ethical norms in their conduct" (Bachelor of accounting programme description, n.d.). It must make sure it does all it can to fulfill this noble mission.

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