

THE EFFECT OF FRAUD TRIANGLE ON UNETHICAL BEHAVIOUR OF STUDENTS IN ACCOUNTING COURSES

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Abstract: *Cheating behaviour on exams has generally become deep-rooted social problem. Current political and social examples in Croatia where corruption, criminal acts and nepotism are not punished adequately are just a quite good base for dishonest behaviour to become acceptable. The development of Internet and new technologies certainly open a door to a new dimension of unethical behaviour, and therefore represent a challenge in the fraud prevention. At the same time, teachers have to be one step ahead of students to minimize non-acceptable behaviour.*

This paper seeks to link the Fraud Triangle concept to cheating habits in accounting courses. The survey was conducted among 104 students at Zagreb School of Economics and Management. Eventually, the results give an insight into reasons and circumstances that allow unethical behaviour, and into the ways students justify it. This research contributes accounting lecturers in fraud detection and prevention and preserving academic integrity as well.

Keywords: *Classroom cheating, Ethics, Opportunity, Pressure, Rationalization.*

1. INTRODUCTION

In literature, many different definitions of fraud could be found. In a broad sense, fraud is intentional deception. According to International Auditing Standards (IAS) fraud is an intentional act of gaining unfair or illegal benefits, carried out by one or more person in management, Supervisory Board, by an employee or some third party (Dervišević and Vuković, 2015). Fraud also represent a false presentation of the facts that would make a person misled. Regardless of how it was defined, there are three key elements that explain reasoning behind the person to commit the fraud are pressure, opportunity and rationalization.

From academic perspective, fraud elements could easily be related to cheating behaviour of students at exams. Moreover, it's not excluded that cheating habits during the study could affect the fraud commitment later in career. Academic disrespect related to examination becomes a deeply rooted social problem. Usually it arises from a wider social and political context. Thus, a various example of nepotism, corruption and criminality that are not punished adequately contribute to unethical behaviour at college. To confirm that fact, a number of high-ranking people in Croatia were charged with plagiarism and falsifying diplomas, for which there was no public condemnation or sanction (Zmijarević, Doolan and Marčelić, 2017). So, which message does this send to students?

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The development of the Internet and new technologies also represent an increasing challenge to lecturers in combating unethical actions. The question is what exactly motivates students to make unethical choices and how to communicate the importance and applicability of knowledge provided during the study.

This paper seeks to explore the relation between the fraud triangle concept and classroom cheating in accounting courses among students at Zagreb School of Economics and Management (ZSEM). The aim of the research is to provide reasons and motives of unethical actions, to find out what they consider as an opportunity, and how do they rationalize such actions.

2. FRAUD TRIANGLE

Fraud represents the strategy of achieving personal or organizational goals or satisfying human needs. In order to achieve such goals, both, moral and immoral actions could be taken. So, the question is what encourage and inspire individuals to use unethical methods rather than ethical.

In 1950s, Donald Cressey, American sociologist, criminologist and author made a significant contribution to the study of criminology. He was studying the people who commit fraud, conducting a research on why fraud is being done. Based on the research, he developed a theory that explains why people act in unethical way, and today it is well-known as Fraud Triangle theory. According to that, the three factors that make up a fraud triangle are pressure, opportunity and rationalization (Figure 1). (Singleton T.W, Singleton A.J., Bologna and Lindquist, 2006)

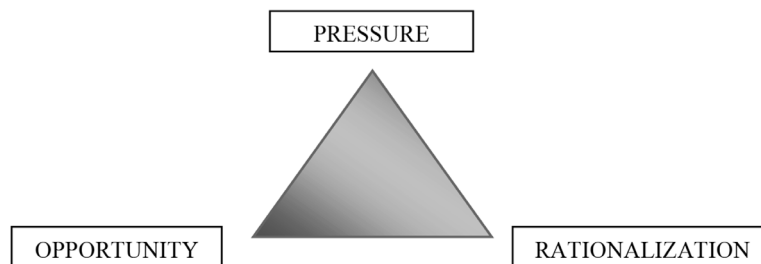


Figure 1. Fraud Triangle (Authors, 2019)

Source: authors

Pressure (or motivation) occurs as a result of personal, social, corporate and other factors. A person develops specific need which force it to find illegal ways to solve their own problems. The pressure could, for example come as a result of financial issues of an individual, tendency to achieve some personal goals, the desire to get a certain job and so on. Although people are often faced with a certain kind of pressure, it doesn't mean everyone will commit fraud. There are two additional factors that lead to fraud, and those are opportunity and rationalization.

Opportunity usually arise from weak and insufficient internal control. In other words, it represents the method by which fraud is committed. Rationalization is the third point of the fraud triangle, and it exist so that individual can justify unethical acts, most often because it doesn't consider itself a criminal or bad person. (Dervišević and Vuković, 2015)

Although the Fraud Triangle theory is usually related to corporate accounting scandals (for example, Enron, WorldCom...) which increased awareness of fraud existence, it is also very applicable to students and unethical behaviour at college.

3. RESEARCH METHOD AND RESULTS

The quantitative research was performed among 104 students at ZSEM, who were taking accounting courses in 2018 at both undergraduate and graduate level. For the research purposes, a survey questionnaire was created, containing a total of 12 questions. The aim was to get the information about frequency of cheating on accounting exams, motivation, opportunity and rationalization so that it could be shown through Fraud Triangle concept.

Table 1 shows the student demographics. An interesting fact is that classroom cheating is mostly spread among unemployed students. Is accounting too abstract for them? Can they recognize the benefits of knowledge provided and the way they can use it in their careers? Are they motivated to study at all, or they are under the pressure? Some of the answers will be found further in text, while a detail analysis on motivation of particularly unemployed students could be considered as a subject of upcoming researches.

Table 1. Student Demographics

Variables	Frequency (%)
Gender (N=104)	
Male	41
Female	59
Level (N=104; average = 2,4; standard deviation = 0,9)	
1 st year (undergraduate)	12,5
2 nd year (undergraduate)	41,3
3 rd year (undergraduate)	40,4
4 th year (undergraduate)	1,0
5 th year (graduate)	4,8
Study program (N=104)	
Economics and Management – undergraduate	80,8
Business Law and Economics – undergraduate	12,5
Business Mathematics and Economics – undergraduate	1,9
Graduate MBA program	4,8
Employment status (N=104)	
Employed	12,5
Employed – student contract	21,2
Unemployed	66,3

Source: authors

Figure 2 illustrates that every fourth student cheat on accounting exams (25 per cent). Although it is expected that accounting courses are not familiar and interesting to all students, and regardless the fact that not everyone is good with numbers, this is still a significant percentage of classroom cheating so additional prevention measures have to be introduced in order to stop such behaviour.

The most common reason for classroom cheating could be found in the following statements:

1. Course is too hard to understand (35 per cent),
2. Cheat on each exam, whenever possible, no matter which course (19 per cent),
3. Lack of time to learn (19 per cent),
4. Accounting course is unnecessary for my future career (8 per cent),
5. I did not get the point of accounting course (8 per cent),
6. Other (12 per cent).

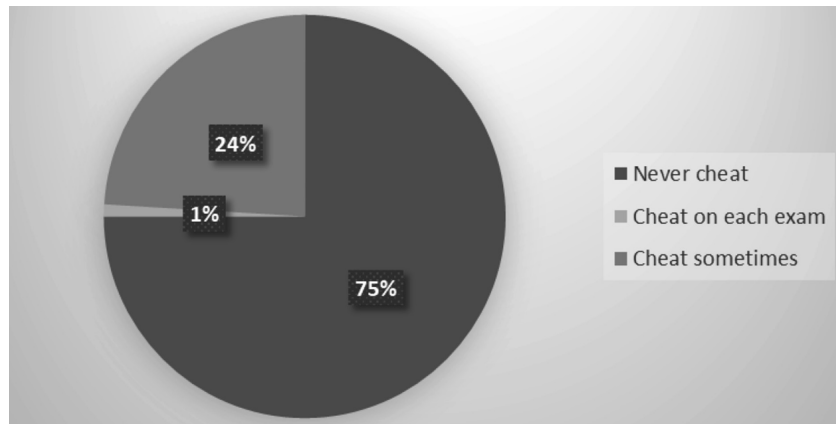


Figure 2. Frequency of Cheating on Accounting Exams

Source: authors

Students do classroom cheating since they are under the pressure, which is mostly directed to completion of study and getting diploma. Pressure usually comes from parents, so students have to pass courses in order to gather enough ECTS credits to enrol in a higher academic year and eventually complete the study (49 per cent). There is also a pressure to get good grades in order to meet the criteria for student exchange application. Student exchange is one of the best ways to work in international environment and to prepare for business world. According to that students are motivated to get it, so they tend to cheat (35 per cent). Some students simply want to have excellent grades for various reasons. Since they are aware that they are not good in accounting, they do classroom cheating (12 per cent).

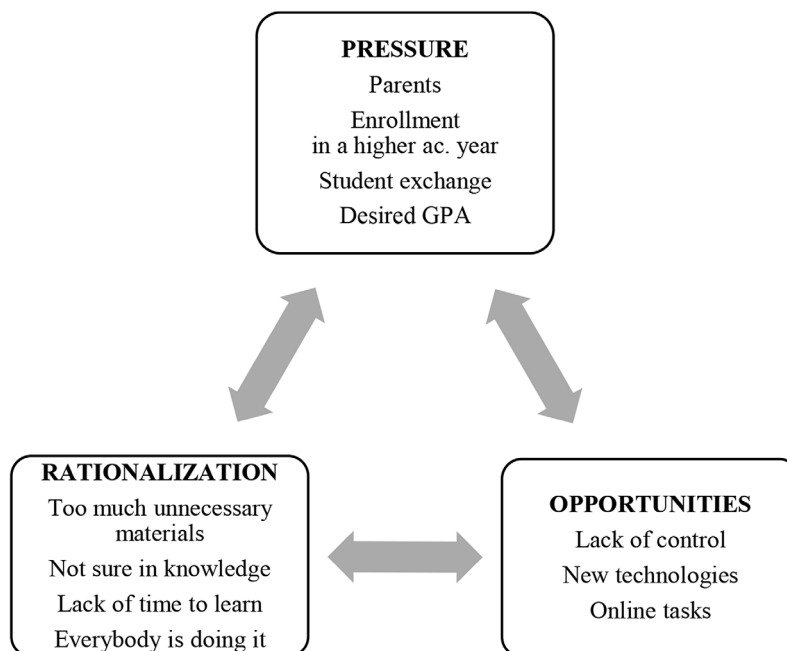


Figure 3. Fraud Triangle and Classroom Cheating

Source: authors

Opportunities for unethical behaviour are greatest in online assignments because of lack of physical control by lecturers. Therefore, students feel free to use teaching materials and other tools in order to do the exercise better (46 per cent). A great number of students (69 per cent) cheated at least once in online tasks using teaching materials, and 77 per cent did exercises with a help

of other colleagues. 23 per cent of them state that there is inadequate control by some lecturers on exams, while 16 per cent consider new technologies as a good way to do classroom cheating.

After doing classroom cheating, students rationalize unethical behaviour in different ways. Usually they state that there is too much unnecessary material that is hard to learn and understand (35 per cent), or they are not sure in what they know so they use unallowed materials for “just in case” (31 per cent). Students also rationalize classroom cheating through lack of time to learn for exams (25 per cent). Insignificant number of students have various ways to protect themselves considering there is not enough learning materials provided, they cheat because everybody is doing it, or they simply want to complete the study (3 per cent).

Despite the development of the Internet and new technologies, 80 per cent of students still use traditional cheating methods rather than “modern”, and those include cheat sheets, learning materials, quite talk, pantomime and replacement of exams. Another 20 per cent of students say they are using the advantages which new technologies offer, like smartphones, smart watches and hidden camera pen (Table 2).

Table 2. The Most Common Ways of Cheating on Accounting Exams

Cheating Method	Percentage of participants using particular cheating method
Cheat sheets (printed, hand-written)	43%
Quite talk to other participants	20%
Cell phone usage	14%
Usage of teaching materials	6%
Pantomime	9%
Smart watch	3%
Hidden camera pen	3%
Replacement of the exam with another participant	3%

Source: authors

Finally, the question is whether the students are aware of unethical behaviour or not. The research shows that 42 per cent of students understand that classroom cheating is not ethical at all. Some of them consider it is not ethical, but necessary in certain situations (39 per cent). A part of students does not understand the unethical aspect of cheating (15 per cent), while 4 per cent of them is not sure if cheating could be characterized as unethical (Figure 4).

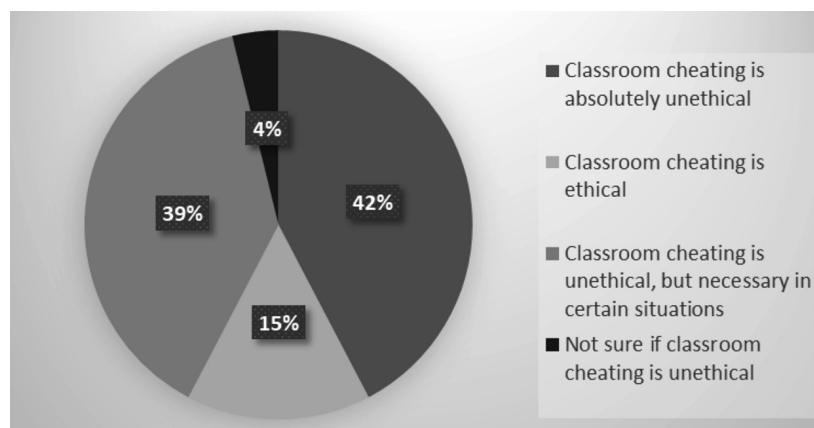


Figure 4. Classroom Cheating and Ethics - from Student Perspective

Source: authors

4. UNETHICAL BEHAVIOUR AND PREVENTION MEASURES

Considering the results of the research and significant number of students who make classroom cheating, lecturers must think about implementing more effective prevention and detection measures. Prevention actions are for sure more effective because it's easier to stop unethical actions in advance than detect penalize it later. This research provides the valuable insight in opportunities and ways students cheat, and which will help lecturers to minimize or even stop classroom cheating in the future.

Students take accounting courses mostly on second and third year of the undergraduate study, when they are already well introduced to academic world, and it's expected from them to be grown up enough to understand the importance of knowledge that is offered to them at college. However, it seems like they often do not take it seriously, and measures that lecturers conduct are not good enough to stop classroom cheating. Based on that, lecturers must consider extra measures to prevent unethical actions, as well as detection measures and rigorous penalization for students who attempt to cheat.

5. CONCLUSION

Cheating habits, as well as other types of dishonourable behaviour have become a significant social issue. In academic world, unethical behaviour at exams can be observed through the concept of Fraud Triangle, which implies the presence of three basic elements needed to commit the fraud and that are common to all fraud perpetrators: pressure, opportunity and rationalization.

The research of the presence of cheating habits at accounting exams, which was conducted among students at ZSEM has shown that every fourth student make unethical choices in accounting class. The pressure for such behaviour could be find in meeting criteria to be eligible for enrolment for a higher year, satisfying grade average in order to apply for student exchange, and parental pressure to attain higher grades or to finish college. In order to cope with such pressure, students find opportunities in lack of control in online tasks, inadequate control during examination and opportunities arising from use of new technologies. Students most often rationalize their unethical actions blaming educational system or/and professors for having too much learning materials whose great part is needlessly; they are not confident in their knowledge, or they can't prepare due to lack of time. Although students have free access to library and online access to all learning materials, a part of them believe that there is not enough learning material to prepare adequate for exams. Some of them don't have a motivation to study, but just to earn a diploma.

Based on results of the research, lecturers must think of the measures primarily to prevent unethical behaviour, because prevention actions are more effective than detection. It seems very important to constantly point out the Code of Ethics. Students also must be aware of importance of knowledge provided, and the purpose of it has to be emphasized regularly. Such actions will hopefully lead to decrease of unfair behaviour and increase students' motivation to get required knowledge.

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