

**ACCT 405**  
**Accounting Ethics, Professionalism,**  
**And the Public Interest**

**Fall 2006, Monday and Wednesday 10:50 a.m. - 12:05 p.m.**  
**Hilton 107**

**Course Description**

Accountants and the accounting profession play an important role in society. The role is examined in this course through an in-depth study of accounting ethics, professionalism, and the public interest. Students will learn about and analyze the history of the profession; the legal and ethical responsibilities of the profession; important legislation that has impacted the profession and the practice of accounting, particularly auditing; and the current environment in which accountants and auditors work. The course also will expose students to moral reasoning and ethical decision making, and encourage students to adopt the objectivity, integrity, and ethical standards necessary to serve society as an accounting professional. (Prerequisite: ACCT 311)

Note: Current accounting majors may substitute ACCT 405 for MGMT 405. Future accounting majors must take ACCT 405, but may petition to substitute MGMT 405 for ACCT 405.

**Course Materials**

*Business & Professional Ethics for Directors, Executives, & Accountants, Fourth Edition* by Leonard J. Brooks, Thomson/South-Western, 2007, ISBN 0324375395

*The Cheating Culture: Why More Americans are Doing Wrong to Get Ahead* by David Callahan (paperback), Harvest Books, 2004, ISBN 0156030055

*Student Guide to the Sarbanes-Oxley Act* by Robert Prentice, Thomson Publishing, 2004, ISBN 0324323654

Additional Readings (available as handouts, ERes, or Blackboard)

**Instructor**

Lawrence P. Kalbers, Ph.D., CPA; R. Chad Dreier Chair in Accounting

**Office:** Hilton 203; **Phone:** 310.338.2758; **FAX:** 310.338.3000

**Email:** [lkalbers@lmu.edu](mailto:lkalbers@lmu.edu)

**World Wide Web:** <http://myweb.lmu.edu/lkalbers>

**Office Hours**

Monday and Wednesday: 9:45-10:45 a.m.

Tuesday, 6:00-7:00 p.m.

and by appointment.

## **Method of Instruction**

This class will be conducted primarily as a seminar, with significant class discussion. The readings and cases will provide the focus for discussions. Small teams will be formed for short presentations on selected cases, discussion board topics, and a research paper and formal presentation at the end of the semester. The course also will include videos and guest speakers.

## **Academic Honesty and Integrity**

Loyola Marymount University's definitions of academic dishonesty and the honor code process are explained in detail on pages 57-59 of the 2006-2007 Undergraduate Bulletin. Below are excerpts from the Bulletin.

The University expects all members of its community to act with honesty and integrity at all times, especially in their academic work.

Examples of academic dishonesty include, but are not limited to, the following: all acts of cheating on assignments or examinations, or facilitating other students' cheating; plagiarism; fabrication of data, including the use of false citations; improper use of non-print media; unauthorized access to computer accounts or files or other privileged information; and improper use of internet sites and resources.

Depending on the nature of the violation (unintentional or intentional), actions may range from a warning up to failing the student in the course. The instructor may also recommend that the student be suspended or expelled. Please take time to read the entire section, LMU Honor Code and Process, in the Undergraduate Bulletin (<http://www.lmu.edu/AssetFactory.aspx?did=11201>).

## **Blackboard and Web Sites**

The course syllabus, selected notes and readings, Web links, class e-mail, and discussion postings will be available on Blackboard (Course number 45811.200630).

## **Class Regimen**

- Students are expected to come to class prepared, with all readings and assignments completed to the best of their ability.
- Class participation is expected and is part of your grade. Class participation includes in-class general discussion, discussion leadership, short presentations, and participation in discussion board topics. The quantity and quality of participation will be considered, with emphasis on the quality.
- Because of the nature of the course, attendance is critical. Missing one or more classes will negatively impact your participation grade.
- Hand-in assignments will not be accepted late. A zero will be assigned to any hand-in assignment not received on a timely basis. All hand-in assignments should be entirely your own work.
- Make-up examinations will not be given except at the Professor's discretion for most unusual circumstances (such as serious illness, with documentation).

## **Journal/Reflection Papers**

Six journal/reflection (JR) papers will be prepared and handed in for grading during the semester. Each JR paper should contain your thoughts about and reactions to a class reading, case, or discussion. It should go beyond a summary of the topic, including your own insights and why it was important or thought-provoking to you. Each JR paper should be word processed and be about one page in length.

### Short Ethics Papers

Four short ethics papers will be prepared and handed in for grading during the semester. Specific topics will be provided at least one week in advance. The papers may require evaluating an ethics case, conducting research, or other ethics-related work. Each paper should be word processed and be about two pages in length.

### Team Project and Presentation

Small teams will be selected to do research on real cases. For each case, the accounting and ethical issues will be researched. Each team will make a formal presentation to the class near the end of the semester (PowerPoint presentation). A formal research paper will be prepared and handed in for grading (due December 4). Details for the project will be provided at least one month in advance of the presentations.

### Short Exams and Final

There will be two short exams during the semester, plus a final. The exams will primarily consist of essays, with some objective questions.

### Grading

#### Point Allocation

	<b>Points</b>
Journal/Reflection Papers (5 points each)	30
Class Participation	50
Short ethics papers (10 points each)	40
Team Project and Presentation	80
Exams 1 and 2 (50 points each)	100
Final	100
<b>TOTAL</b>	<b>400</b>

#### Grading Scale

	<b>Minimum Percentage</b>	<b>Point Range</b>
A	90	360+
A-	88	352-359
B+	85	340-351
B	80	320-339
B-	78	312-319
C+	75	300-311
C	70	280-299
C-	68	272-279
D	60	240-271
F	<60	<240

**TENTATIVE CLASS SCHEDULE (subject to change as circumstances warrant)**

<b>CLASS</b>	<b>CLASS TOPICS/ACTIVITIES/READING ASSIGNMENTS*</b>	<b>QUESTIONS/CASES**</b>	<b>HAND-IN</b>
1 AUG28	<b>Introduction</b> Video: Phar-Mor		
2 AUG30	Ethics Expectations (pp. 2-25) Callahan, Chapter One: Everybody Does It		
<b>SEP4</b>	<b>LABOR DAY-NO CLASS</b>		
3 SEP6	<b>Ethical Approaches</b> Approaches to Ethical Decision Making (pp. 326-354)	Questions 4, 5, 7, 13 (p. 25)	
4 SEP11	Bowen article (1) Callahan, Chapter Two: Cheating in a Bottom-Line Economy	Questions 1, 6, 7 (p. 354) Proposed Audit Adjustment (pp. 359-364) Martha Stewart (27-31)	<b>JR1</b>
5 SEP13	The Whistle-Blower: Patriot or Bounty Hunter? (pp. 48-53) Cost-Benefit Analysis (pp. 373-379) Ethical Analysis for Environmental Problem Solving (pp. 379-382)	Betaseron (pp. 33-34) Resign or Serve? (p. 38)	
6 SEP18	Callahan, Chapter Three: Whatever it Takes Video: Wal-Mart: The High Cost of Low Price (short version)	Kardell Paper (pp. 371-373) Ford Pinto (pp. 370-371)	
7 SEP20	<b>Governance, Accounting, and Auditing, Post-Enron</b> Enron and Arthur Andersen (pp. 55-82)		
8 SEP25	Callahan, Chapter Four: A Question of Character Anand et. al article (2)	Arthur Andersen's Troubles (pp. 107-113)	<b>JR2</b>
9 SEP27	<b>EXAM 1</b>		
10 OCT2	<b>Corporate Ethical Governance and Accountability</b> (pp. 132-170) Managing for Organizational Integrity (pp. 38-47)		
11 OCT4	<b>Professions and the Accounting Profession</b> Professional Accounting in the Public Interest (pp. 217-226) Hall article (3)	Questions 3, 4, 6, 9, 11, 13, 15 (pp. 170-171) Nortel Networks Audit Committee (pp. 183-190)	<b>Ethics Paper 1</b>
12 OCT9	Zeff article (4), Zeff article (5) Callahan, Chapter Five: Temptation Nation	Conflicts of Interest (pp. 199-201)	<b>JR3</b>
13 OCT11	<b>The Accounting Profession and the Public Interest</b> Professional Accounting in the Public Interest (pp. 226-232) Kalbers and Fogarty article (6)	Loyalty, But to Whom? (pp. 201-203)	
14 OCT16	Arthur Levitt Speech: The Public's Profession ( <a href="http://www.sec.gov/news/speech/spch410.htm">http://www.sec.gov/news/speech/spch410.htm</a> ); Colson article (7)	Where Were the Accountants? (pp. 36-37) Parmalat (pp. 272-277)	<b>Ethics Paper 2</b>
15 OCT18	<b>Codes of Ethics and the Public Interest</b> Professional Accounting in the Public Interest (pp. 232-263) Reference: Codes of Ethics (see Syllabus Appendix)***	Questions 1, 5, 18, 24 (p. 264-265) Locker Room Talk (p. 284)	
<b>OCT23</b>	<b>UNDERGRADUATE HOLIDAY-NO CLASS</b>		

<b>CLASS</b>	<b>CLASS TOPICS/ACTIVITIES/READING ASSIGNMENTS*</b>	<b>QUESTIONS/CASES**</b>	<b>HAND-IN</b>
16 OCT25	Video: ZZZZ Best Callahan, Chapter Six: Trickle-down Corruption Callahan, Chapter Seven: Cheating from the Starting Line	Advice for Sam and Ruby (p. 284-285) Dilemma of an Accountant (pp. 285-287)	<b>JR4</b>
17 OCT30	<b>EXAM 2</b>		
18 NOV1	<b>Legislated Ethics and Introduction to Sarbanes-Oxley</b> Sarbanes-Oxley Act of 2002 (pp. 87-95) Prentice article (8); Rockness and Rockness article (9)		
NOV3	<b>Last Day to Withdraw</b>		
19 NOV6	WorldCom: The Final Catalyst (pp. 82-87) WorldCom articles (handout) Callahan, Chapter Eight: Crime and No Punishment	WorldCom: The Final Catalyst (pp. 114-118) Questions 1, 2, 3 (p. 95)	<b>Ethics Paper 3</b>
20 NOV8	<b>SPECIAL GUEST: CYNTHIA COOPER</b>		
<b>NOV8</b>	<b>CYNTHIA COOPER LECTURE: 6 P.M. HILTON 100</b>		
21 NOV13	<b>Sarbanes-Oxley Act of 2002</b> <i>Student Guide to Sarbanes-Oxley Act</i> : pages 1-6, 10-22, and the following sections: 301, 302, 303, 404, 407, 801, 802, 806, 901-905, 906		<b>JR5</b>
22 NOV15	<b>Guest speaker:</b> Mr. Mark Jacoby, CPA, Senior VP, Internal Audit, Macerich Company		
23 NOV20	Corporate Social Responsibility articles (handout) Callahan, Chapter Nine: Dodging Brazil; Callahan, Afterword		<b>Ethics Paper 4</b>
24 NOV22	<b>TEAM PRESENTATIONS</b>		<b>PowerPoint</b>
25 NOV27	<b>TEAM PRESENTATIONS</b>		<b>PowerPoint</b>
26 NOV29	<b>Ethics and Values in Accounting Firms</b> Copeland article (10); Bunting article (11) <b>Guest Speakers:</b> Moss Adams LLP		<b>JR6</b>
27 DEC4	<b>Ethical Risks</b> Managing Ethics Risks and Opportunities (pp. 352-374) Triple-Bottom Line Accounting Article (2)	Texaco's Jelly Beans (pp. 409-412 )	<b>Research Paper</b>
28 DEC6	Values in Tension: Ethics Away From Home (pp. 427-435)	Societal Concerns (p. 293) Make the Numbers (p. 368)	
<b>DEC11</b>	<b>FINAL: 11:00 a.m. – 1:00 p.m.</b>		

\*Assignments with page numbers are from the Brooks book, unless otherwise noted.

\*\*Questions/Cases are from the Brooks book, unless otherwise noted. In preparation for class, you should answer, in writing, the assigned chapter questions and the questions at the end of the cases.

\*\*\*Students who will be Texas CPA candidates must compare the codes of professional conduct of the AICPA, SEC, PCAOB, and TSBPA for the rules on independence, objectivity, integrity, commissions, contingent fees, and discreditable acts. Specific guidelines for the assignment will be provided during the semester.

## **Article References**

- (1) Bowen, S. A. Organizational Factors Encouraging Ethical Decision Making: An Exploration into the case of an Exemplar. *Journal of Business Ethics*, 2004, Volume 52, Issue 4: 311-324
- (2) Anand, V., B.E. Ashforth, and M. Joshi. *Academy of Management Executive*, Vol. 19, No. 4, pp. 9-23.
- (3) Hall, R. H. Professionalization and Bureaucratization. *American Sociological Review*, Volume 33, No. 1, February 1968: 92-104.
- (4) Zeff, S. A. How the U.S. Accounting Profession Got Where it is Today: Part I. *Accounting Horizons*, September 2003, Volume 17, Number 3, pp. 189-205.
- (5) Zeff, S. A. How the U.S. Accounting Profession Got Where it is Today: Part II. *Accounting Horizons*, December 2003, Volume 17, Number 4, pp. 267-286.
- (6) Kalbers, L., and T. Fogarty. Professionalism and its Consequences: A Study of Internal Auditors. *Auditing: A Journal of Practice and Theory*, Volume 14, Number 1, Spring 1995: 64-86.
- (7) Colson, Robert H. Accountancy Comes of Age. *The CPA Journal*; Oct 2004; 74, 10; p. 80
- (8) Prentice, D. A Voice Crying in the Wilderness for Independence: Abe Briloff and Section 201 of the Sarbanes-Oxley Act of 2002. *Journal of American Academy of Business*, Volume 8, Issue 2, March 2006: pp. 190-195.
- (9) Rockness, H. and J. Rockness. Legislated Ethics: From Enron to Sarbanes-Oxley, the Impact on Corporate America. *Journal of Business Ethics*, Volume 57, 2005: pp. 31-54.
- (10) Copeland, James E. Ethics as an Imperative. *Accounting Horizons*, Vol. 19, No. 1, March 2005: pp. 35-43.
- (11) Bunting, Robert L. Renewing a Great Profession. *Journal of Accountancy*, January 2005: pp 58-61.

## **APPENDIX-Codes of Ethics**

**AICPA Code of Professional Conduct (<http://www.aicpa.org/about/code/index.html>)**

**Institute of Internal Auditors ([http://www.theiia.org/index.cfm?doc\\_id=604&bhcp=1](http://www.theiia.org/index.cfm?doc_id=604&bhcp=1))**

**Institute of Management Accountants ([http://www.imanet.org/about\\_ethics.asp](http://www.imanet.org/about_ethics.asp))**

**Statements on Standards for Tax Services**

**(<http://tax.aicpa.org/Resources/Professional+Standards+and+Ethics/Statements+on+Standards+for+Tax+Services>)**

**SEC Auditor Independence (<http://www.sec.gov/rules/final/33-8183a.htm>)**

**California Board of Accountancy (<http://www.dca.ca.gov/cba/regs/regs9.pdf>)**

**Texas State Board of Public Accountancy**

**([http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac\\_view=4&ti=22&pt=22&ch=501](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=4&ti=22&pt=22&ch=501))**