

## FAIRFIELD UNIVERSITY

### AC 570 Accounting Ethics

Fall 2006

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Office Hrs: M/Th: 10:45 – 12:30  
W: 11:30 – 12:30  
and by appointment

**Objective:** The main objectives of this course are to: (1) increase each student's understanding of the ethical guidance (AICPA, PCAOB, SEC, SOX, ethical decision models) available to accounting practitioners; 2) enhance each student's ethical perception, particularly with respect to ethical dilemmas in accounting; and 3) improve each student's ethical decision making skills.

#### Text and sources for required readings:

1. Accounting Ethics Course pack # 255320. Wiley. 2006. Available at: <http://www.xanedu.com/login.shtml?PackId=255320>
2. G-Sport Ethics Game. Available at [www.ethicsgame.com](http://www.ethicsgame.com)
3. ERES. Check ERES regularly to stay abreast of course announcements and other postings. I will not provide copies of documents available from ERES.

**Attendance & Participation:** Class attendance is mandatory. You are responsible for material presented in class, whether or not that material is in the text. The course will be conducted as a seminar. You should complete and think about readings in advance of the class period in which those readings are discussed so that you can actively participate in the analysis and discussion of that information in class.

**Academic Integrity:** I cannot overemphasize the importance of ethical and honest behavior in business, the accounting profession and education. The University publication, "A Brief Guide to Academic Honesty and Integrity at Fairfield University," discusses academic honesty & integrity at length. Please familiarize yourself with the Guide, and, in particular, pay attention to the definition of plagiarism. I will not tolerate academic dishonesty, including plagiarism. In the event of academic dishonesty, the usual penalty is assignment of a grade of "F" for the course, as well as other measures prescribed in the Fairfield University Catalogue.

#### Grading:

Class presentation	15
Reflective papers (12/14 @ 2 each)	24
Ethics game	23
Final – Ethics Interview Assignment:	
Presentation	5
Paper	20
Class Participation	<u>13</u>
	<u>100%</u>

Anyone who has a physical and/or learning disability is encouraged to inform Student Services and the instructor so appropriate accommodations can be arranged

**Class presentation:** Each student is responsible for running one class. If you prefer, two students can jointly take charge of two classes. Sign ups for topics will be accepted on a first-come, first-served basis.

**Reflective papers:** Each student should reflect on what they have learned after each class. The fruits of this reflection should be reported on a brief, (approximately 1 page) reflective paper, submitted by e-mail no later than 48 hours after the class. This reflection should consider questions such as the following:

- What aspects of the class most deeply affected me? Why?
- What aspects of the class are most relevant to me and my life? Why?
- If there wasn't anything in class that touched me or seemed relevant, why wasn't there?
- Did I gain any new insights in class?
- What new issues do I want to consider as a result of today's class?
- Did anything I experienced in class change the way I see myself? Others? The accounting profession? My role in the profession?

**Ethics game:** All students will be required to participate in the Gnomengen Group Ethics Game. You will sign up for the game on the game website: [www.ethicsgame.com](http://www.ethicsgame.com). I will provide you with a game code. Each student will work as part of one of the four divisions of the company. (The game will randomly assign you to a division.)

The game consists of six quarters of play: an initial quarter of the game in which team members introduce themselves, followed by five quarters of different ethical dilemmas. Game assignments will always be due at midnight on the Tuesday night before the class in which we are scheduled to discuss a dilemma.

**Ethics Interview Assignment** (adapted from Dr. Schmidt):

Interview: You are to investigate an ethical issue in the workplace, combining your knowledge from class with original empirical research. Your general objective is to produce a description of an actual business ethics issue as well as an ethical assessment of that issue.

Your research will take the form of an interview. The interview subject should be someone who has had at least five years continuous, full-time work experience, though more is better. There are no other restrictions on the eligibility of your subject, but it should be someone with whom you can talk comfortably and candidly. For that reason, it may not be desirable to interview someone with whom you work closely. Your subject need not be in your industry. The main thing is to identify someone you think you can learn from.

When you've identified an interview subject, you must obtain informed consent to participate. Tell him or her about the purpose of this interview, making clear that you will want him or her to describe an actual work experience that required a significant judgment call. Emphasize that the identity of the interview subject will remain anonymous and that you will relate his or her account in such a way that it will not be possible to identify personally any companies or individuals described.

You should plan to have at least one substantial conversation with your subject (an hour is not unusual) though you may find it helpful to have a number of shorter follow-up conversations as

you proceed. It would be ideal to have a face-to-face conversation, although telephone interviews are permissible (especially for any follow-up conversations). I strongly advise against using a tape recorder. Instead, make brief written notes during the interview, expanding them on your own immediately after the interview.

To get started, you might use a very general opening question like, "I'm doing a paper on responsible business practice in the workplace. On a strictly anonymous basis, could you tell me about any experiences you have had in your career that you think were important from an ethical point of view?" You might alert your subject ahead of time to expect this kind of question, so that when your actual interview takes place he or she may already have a few ideas. In fact, part of your interview might include having your subject explain what he or she means by "ethics." If the subject's concept of ethics is different than your own, you should be willing to let your subject to use "ethics" in the way that he or she is accustomed to using it.

Let the interview proceed naturally. Let your subject tell his or her story as he or she wants to. But listen closely and ask good follow-up questions. Ask for clarification or elaboration. Don't accept everything your subject says at face value; ask for pertinent background information, dig beneath the surface of the story for deeper themes or ideas. Ask your subject how he or she felt about the issue described.

Paper: You will produce a 5-8 page, double-spaced typed paper to summarize your work. The paper must include the following clearly identified parts:

1. A brief introduction of the person you've identified, in general how you know this person, what kind of work this person does. [Remember to preserve anonymity. You should use a fictitious name.]
2. A descriptive account of the primary ethical issue related by the subject. Your subject may share a number of ethical issues. Use only the one you judge to be most important. Be detailed and vivid in your description. I want to feel like I was actually there, listening to this person's account.
3. A critical evaluation of the ethical issue and the way it was handled by the subject. You will need to incorporate ethical theory in evaluating the ethical issue. Be sure to include (and justify) your own position on the ethical issue. You must also evaluate the decision making model used by the subject.
4. Your reflection on the project. Use the questions for reflective papers outlined above, substituting the word "project" for "class".
5. An Appendix (this part does not count toward the suggested page length of your paper). Here you will describe the mechanics of the interview -- where it took place, how long it took, etc. You will also provide a summary of the interview, using your interview notes (this may include material that does not make its way into the descriptive account in part 2 above).

It is not necessary to use additional research sources (books, articles, etc.), but if you do, be sure to give appropriate reference citations.

Presentation: You will orally present a summary of your paper to the class on the night of the final. Your presentation will last 10-15 minutes total, and should include your oral report followed by a class discussion of the case that you will lead.

Date	Topic	Ethics Game	Reading/ Assignment
9/6	Intro		<ul style="list-style-type: none"> <li>➤ "Getting to the heart of business ethics" (2006) Spitzer (<b>handout</b>)</li> </ul>
9/13	The Nature of a Profession	Quarter 1 – Intro to the game	<ul style="list-style-type: none"> <li>➤ U.S. vs. Arthur Young (1984)</li> <li>➤ "Accounting professionalism – they just don't get it" (2003) Wyatt <b>ERES</b></li> <li>➤ Bob Bunting's take on ethics and the firm (2005) <b>ERES</b></li> <li>➤ "Enron's final accounting" (2006) Keida &amp; Phillippon (<b>handout</b>)</li> </ul>
9/20	Professional Codes of Ethics		<ul style="list-style-type: none"> <li>➤ PCAOB Ethics Standards: <a href="http://www.pcaobus.org/Standards/Interim_Standards/Ethics/index.aspx">http://www.pcaobus.org/Standards/Interim_Standards/Ethics/index.aspx</a></li> <li>➤ AICPA: <a href="http://cpcaf.aicpa.org/Resources/Ethics+and+Independence/">http://cpcaf.aicpa.org/Resources/Ethics+and+Independence/</a></li> <li>➤ IMA Standards of Ethical Conduct for Practitioners of Management Accounting and Financial Management: <a href="http://www.imanet.org/pdf/981.pdf">http://www.imanet.org/pdf/981.pdf</a></li> <li>➤ Bring in a municipal code of ethics</li> </ul>
9/27	Codes of Ethics	Quarter 2 – Conflict of Interest	<ul style="list-style-type: none"> <li>➤ Bring in a corporate conflict of interest policy (not from a CPA firm)</li> </ul>
10/4	Corporate Governance	Quarter 3 - Governance	
10/11	Aggressive Accounting		<p>Course pack</p> <ul style="list-style-type: none"> <li>➤ "Does hiring a new CFO change things? ..." (2006) Geiger &amp; North <i>The Acctg. Review</i> <b>Infotrac</b></li> <li>➤ "Earnings mgt. using classification shifting ..." (2006) McVay <i>The Acctg. Review</i> <b>Infotrac</b></li> <li>➤ "Did conservatism in financial reporting increase after SOX? ..." (2006) Lobo &amp; Zhou <i>Acctg. Horizons</i> <b>Infotrac</b></li> </ul>
10/18	Accounting choice		<ul style="list-style-type: none"> <li>➤ Run, Inc.</li> </ul>

10/25	Ethical Decision Making Revisited		<ul style="list-style-type: none"> <li>➤ "Reflection in Business Ethics: Insights from St. Ignatius' Spiritual Exercises" (2001) Moberg &amp; Calkins <i>Journal of Bus. Ethics</i> <b>Infotrac</b></li> <li>➤ <i>Heroic leadership</i> (2003) Lowney (<a href="http://www.chrislowney.com/heroic/heroic_leadership.htm#">http://www.chrislowney.com/heroic/heroic_leadership.htm#</a>)</li> <li>➤ "CST and the profession of accounting . . ." (2003 ) Myers <b>ERES</b></li> <li>➤ "Beyond SOX" (2006) Lebovits <i>J of A</i> <b>Infotrac</b></li> </ul>
11/1	Whistle blowing	Quarter 4 – Employee Rights	<p>Course pack</p> <ul style="list-style-type: none"> <li>➤ PCAOB guidance <b>ERES</b></li> <li>➤ Bring in a corporate personnel policy</li> </ul>
11/8	Ethical issues associated with to the audit practice	Opinion Shopping Low balling	
11/15	Tax ethics	Quarter 5 - International	<p>Course pack</p> <ul style="list-style-type: none"> <li>➤ "The ethics of tax planning" (1997) Stainer et al. <i>Bus. Ethics &amp; European Review</i> <b>Infotrac</b></li> </ul>
11/22	Thanksgiving break		
11/29	Corporate Social Responsibility	Quarter 6 – Corp. Social Resp.	<ul style="list-style-type: none"> <li>➤ Ben &amp; Jerry</li> </ul>
12/6	Social Responsibility Audits		Course pack
12/13	Privacy Audits		Course pack
12/20	<b>Final Presentations</b>		

Notes:

1. Dates are subject to change to accommodate the timing of two invited speakers, one on corporate governance and one on forensic accounting.
2. For a summary of the research on auditors and ethical reasoning, see "Auditor's ethical reasoning ..." (2003) Jones, Massey & Thorne *Journal of Acctg. Literature*