

**ACCT 70751**  
**Ethics in Accounting**  
Department of Accountancy  
Mendoza College of Business  
University of Notre Dame  
Spring, 2006

**TEACHER**

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**REQUIRED MATERIALS**

*Business & Professional Ethics for Directors, Executives and Accountants*, Third edition,  
Leonard J. Brooks, South-Western College Publishing, 2004, ISBN 0324200668 (Brooks)

*Moral Intelligence: Enhancing Business Performance and Leadership Success*, Doug  
Lennick & Fred Kiel, May 2005, Pearson Education, ISBN 0131490508 (MI)

*Character is Destiny: Inspiring Stories Every Young Person Should Know and Every  
Adult Should Remember*, John McCain with Mark Salter, 2005, Random House, ISBN  
1400064120 (CID)

**LEARNING OBJECTIVES**

**Ethical Awareness and Recognition of Ethical Issues in Accounting**

Raise each student's level of awareness and ability to recognize ethical issues  
facing the accounting profession and accounting practitioners.

**Ethical Knowledge**

1. Increase each student's ability to identify key concepts and understand different  
ethical approaches and theories.
2. Ensure that each student has a clear understanding of the ethical guidance  
(AICPA, Sarbanes-Oxley, PCAOB, SEC, etc.) available in accounting practice

**Ethical Judgment**

Improve students' moral reasoning and ethical decision making skills with  
objectivity, especially with regard to issues encountered in accounting practice.

**Integrity**

Increase each student's ability to do the right thing and to sustain support structures  
which encourage making decisions with personal and professional integrity.

## **LEARNING APPROACHES**

### **Seminar Format**

Ethics is a subject that does not lend itself to lecture. Thus, the class will be conducted primarily with a discussion format. Many cases (both short and longer ones) will facilitate group discussions.

### **In-class Participation**

Prior preparation and personal reflection accompanied by verbal interaction in class are especially important in this course. Attendance only is 75%. Some verbal participation is 85%. Significant verbal participation is 92%. Exceptional contributions to the discussion for will be 100%.

### **Homework Assignments**

Student responses to designated assignments will be collected at the start of class. A good faith response to each of the questions will receive full credit.

### **Brief Presentation**

Each student will find a recent article from the business press dealing with accounting ethics and give a four to five minute presentation at the beginning of class on it at some point in the course. [Format = Ethical issue(s), acts, analysis/implications]

### **Analysis of "Character is Destiny" Vignettes**

Each student will read 4 vignettes - each from a different Part of the book:

1. Analyze ethical dilemma(s) faced by each person;
2. Identify what encouraged them to act ethically and what tempted them to act unethically;
3. Determine what ethical paradigm each of them used;
4. Reason out what each of them could have done to help themselves act more ethically;
5. Describe the effect(s) of their acting ethically; and
6. Make any useful comparisons between the four.
7. Who is the most exemplary role model from your perspective? Why?

### **Presentation**

Each student (or a pair of students) will make a 8-14 minute presentation (no PowerPoint) on an application of accounting ethics. It will identify a contemporaneous accounting ethics issue, discover incidents of it, and apply ethics theory to recommend actions by stakeholders. Include a handout with at least one page. Must ask at least 2 questions of participants and answer at least 2 questions from participants.

### **Exposure to Accounting Ethics in Practice**

Guest speakers will discuss ethical issues facing the accounting profession.

**GRADE CRITERIA**

In-class Participation	100 points
Homework Assignments	100 points
Brief Presentation re: Current Ethics Article	25 points
"Character is Destiny" Analysis	100 points
Presentation	100 points
Exam	<u>75 points</u>
	500 points

**SCHEDULE****#1 January 18 (Wednesday)–Introduction**

Surveys  
Discussion of ethics of individuals and ethical dilemmas in general

**#2 January 23 (Monday)**

Read and be prepared to discuss:  
Chapter 1 (Brooks)  
"Managing for Organizational Integrity" (pp. 39-48)  
Martha Stewart (pp. 26-29)  
The Betaseron Decision (pp. 32-34)

**#3 January 25–Impacts and Causes of Ethical Lapses**

Read and be prepared to discuss:  
"The Whistle Blower: Patriot or Bounty Hunter?" (pp. 48-53)  
MI: pages 3-61  
**Homework #1 - Worksheets #1 (p. 41), #2 (p. 46), #3 (p. 52), #4 (p. 55), & #5 (p. 58)**

**#4 January 30– Impacts and Causes of Ethical Lapses**

Read and be prepared to discuss:  
Worldcom: The Catalyst case (p. 111)  
Waste Management, Inc. case (pp. 119-125) - 6 Questions on p. 125  
Sunbeam Corporation case (pp. 112-119) - 8 Questions on pp. 118-119  
The Enron Debacle case (pp. 110) - 11 Questions on p. 110  
Arthur Andersen's Troubles case (p. 111) - 8 Questions on p. 111

**#5 February 1–Professional Accounting After Enron**

Read and be prepared to discuss:  
Chap. 4 (pp. 203-238) including AICPA Code of Professional Conduct (p. 227)  
"Codes of Conduct" (pp. 281-293)  
"Rules of Professional Conduct, Texas State Board of Public Accountancy"  
Dilemma of an Accountant case (pp. 259-262) - Questions:  
What are Dan's options? What should he do?  
What is lacking in the firm to encourage integrity?  
**Homework #2 - Answers to "Dilemma of an Accountant" case**

**#6 February 6– Corporate Ethics**

Read and be prepared to discuss:

Chapter 3 (pp. 128-161)

Chap. 3 - 9 Questions for Discussion (p. 162)

Ford/Firestone Tire Recall case (pp. 164-174) - 7 Questions on pp. 172 & 174

**Homework #3 - Answers to "Ford/Firestone" case**

**#7 February 8 (Wednesday)- Ethics & Spirituality in Business**

Read and be prepared to discuss:

"Reconciliation of Human well-being with Productivity & Profits"

**ETHICS WEEK: FEBRUARY 13 - 16**

**#8 February 13 (Monday)- Integrating Values with Actions**

Read and be prepared to discuss:

"Religious Models of Marketing Ethics" (Handout)

MI: pages 63-113

**#9 February 15 (Wednesday)- Participate in Ethics Week**

**#10 February 20 (Monday)- Integrating Values with Actions**

Read and be prepared to discuss:

MI: pages 115-156

**Homework #4 - MCI (pp. 237, 238, & 247 in MI) (Handout)**

**#11 February 22 (Wednesday)- Corporate Ethical Governance**

Read and be prepared to discuss:

"Creating Ethical Corporate Structures" (pp, 195 - 202)

Philip Services Corp. case (pp. 187 -192)

**Homework #5 - Analysis of an "Ethics Week" presentation (2 pages; summarize, analyze, and extend to your personal and accounting profession decisionmaking)**

**#12 February 27 (Monday)- No Class Meeting (Prof. presenting at a Conference)**

**#13 March 1 (Wednesday)- Independence/Conflicts of Interest**

Read and be prepared to discuss:

Chap. 4 (pp. 238 - 249) - Questions 7, 10-17 (p. 250)

Castle Manufacturing case (pp. 330-334)

**#14 March 6 (Monday)- Choosing & Being Role Models**

Read and be prepared to discuss:

Overall perspective of CHARACTER IS DESTINY

**"Character is Destiny" Analysis due by 1 PM**

**#15 March 8–Approaches to Ethical Decision Making**

Read and be prepared to discuss:

Chap. 5 (pp. 310-325) - 6 Questions (pp. 325-326)

"Can't We All Just Get Along: Cultural Variables in Codes of Ethics"  
(pp. 391-396)

"Values in Tension: Ethics Away from Home" (pp. 396-404)

**SPRING BREAK****#16 March 20 (Monday)- Managing Ethics Risks**

Read and be prepared to discuss:

Chap. 6 (pp. 352-374) - 13 Questions (p. 375)

Texaco's Jelly Beans case (pp. 377-381)

Aids Medication in South Africa case (p. 383)

**#17 March 22 (Wednesday)- Ethical Considerations in Tax Practice**

Read and be prepared to discuss:

"Ethics in Taxation Practice" (pp. 299-301)

Tax Return Complications case (p. 273)

**Homework #6 - Answers to "Tax Returns Complications" case**

**#18 March 27 (Monday)- Ethical Considerations in Managerial Accounting**

Read and be prepared to discuss:

"Megatron" case (Handout)

**#19 March 29 (Wednesday)- Factors Complicating Ethical Decisionmaking**

Read and be prepared to discuss:

"When Is Resignation Not Enough?" case (Handout)

"The Parable of the Sadhu" (Handout) - What are at least 5 insights you get  
from this case concerning the resolution of ethical dilemmas?

**Homework #7 - "Sadhu" case insights**

**#20 April 3 (Monday)- Fraud and Negligence**

Read and be prepared to discuss:

When Does An "Aggressive Accounting" Choice Become Fraudulent? (p. 335)

Smokers Are Good For The Economy - Really case (pp. 336-337)

Ford Pinto case (pp. 337-339)

**#21 April 5 (Wednesday)- Ethics Matters**

Read and be prepared to discuss:

"Other People's Money" article (Handouts) - To what extent do you agree, etc.,  
with her recommendations?

**Homework #8 - Your agreements/disagreements/recommendations to Toffler's  
recommendations**

**#22 April 10 (Monday)-**

Read and be prepared to discuss:

"Hollow Men and Women at the Helm: Hollow Accounting Ethics?" (Handout)  
 MI: Becoming a Global Moral Leader (pp. 207-214) & Strengthening Your Moral Skills (pp. 215-226)

**#23 April 12 (Wednesday)- Ethics in Action**

Read and be prepared to discuss:

"Legislated Ethics: From Enron to Sarbanes-Oxley, the Impact on Corporate America" (Handout)

**Presentations by students**

**EASTER BREAK**

**#24 April 19 (Wednesday)- "We Are ND!"**

Be prepared to discuss:

"Take Your Conscience to Work" (Handout)  
 Revised MCI

**Homework #9 - Revised MCI (pp. 237, 238, & 247 in MI) (Handout)**

**Presentations by students**

**#25 April 24 (Monday)- Ethics in Action**

Be prepared to discuss:

"The Good Auditor - Skeptic or Wealth Accumulator? Ethical Lessons Learned from the Arthur Andersen Debacle" (Handout)

**Homework #10 - Identify 3 ethical dilemmas you will likely face in the first two years after you graduate; determine what method of analysis you will use to resolve the dilemma; identify factors which will tempt you to act unethically; identify factors which will encourage you to act ethically**

**Presentations by students**

Exam handed out

**#26 April 26 (Wednesday)- No Class Meeting**

Independently work on exam

**#27 May 1 (Monday)**

Read and be prepared to discuss:

"What Do Schoolteachers and Sumo Wrestlers Have In Common?" (Handout)

Hand exam in by 1 PM

**#28 May 3 (Wednesday)**

Handing back and discussion of Exams

Evaluation