

Accounting 4350
Business and Professional Ethics for Accountants
Course Objectives, Outline and Syllabus

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Course Readings:

- Texts:
 - Hosmer, LaRue Tone, **The Ethics of Management**, 5th Edition, McGraw-Hill (ISBN: 0-07-299607-2)
 - Cheffers, Mark and Michael Pakaluk, **A New Approach to Understanding Accounting Ethics**, Allen David Press (ISBN: 0-9765280-0-2)

- Other readings:
 - Articles as indicated on the Syllabus outline. Articles are either 1) available on Blackboard or 2) available at Library reserve.
 - Messier, Jr., W. F.; S. M. Glover; and D. F. Prawitt. **Auditing & Assurance Services: A Systematic Approach 4th Edition**. McGraw-Hill Publishers.

Course Emphasis:

The following emphases will guide the composition of course assignments and activities:

- Ground instruction in the basics of ethics and why ethical behavior is important to successful business operations
- Provide students with the tools needed to understand moral reasoning and to make ethical decisions
- Provide students with an understanding of corporate governance and the impact that ethical decisions will have on business operations
- Provide students with an understanding of the importance of professional ethics for accountants
- Introduce the various professional ethics standards within the accounting profession including the AICPA Code of Conduct, the Texas Rules of Conduct, and ethics standards for other accounting organizations
- Place particular emphasis on the importance of independence, integrity and objectivity in the provision of accounting services
- Introduce students to accountant's legal liability issues and how improper ethical behavior can create such legal problems
- Discuss real world situations and case studies where students will have to make ethical decisions that will enhance their ability to make such decisions in the workplace

Course objectives:

Ethics Concepts:

- Understand the meaning of ethics and why ethics are critical for students to learn
- Develop an understanding of various aspects of moral reasoning
- Understand how moral reasoning is used for ethical decision-making
- Learn the tools and techniques for analyzing ethical situations and using these tools to make ethical decisions including identification of the stakeholders, the issues involved, and the process for making an ethical decision

- Understand concepts associated with business ethics and the impact of business ethics on corporate governance
- Determine how firms develop corporate codes of conduct and the roles such codes have on corporate governance
- Understand the importance of ethics on professions such as accounting
- Understand professional ethics for accountants in public accounting with emphasis on the AICPA Code of Conduct and the Texas Rules of Conduct
- Understand professional ethics for accountants in other areas including management accounting, internal auditing, and not-for-profit accounting
- Understand legal liability issues that accountants face and the impact that such issues have on professional ethics

Professional Competency Development:

- Develop critical skills by analyzing ethical and legal issues and problems, recognizing and assessing such issues and recommending specific actions to implement your analyses
- Sharpen interpersonal skills by participating in group discussions
- Improve oral and written communication skills through class discussions, case analyses, formal and informal presentations, and group discussions and written assignments
- Expand technology-based competencies by gathering information from electronic sources (i.e., the Internet) and using presentation technologies (e.g., PowerPoint)
- Enhance learning competencies by reading articles from the popular business and accounting press and discussing current events as they relate to professional ethics for accountants

Assignments and Grading:

Accounting Department Assignment Categories:

Individual (ALL ASSIGNMENTS IN THIS COURSE ARE CONSIDERED INDIVIDUAL.)

Students complete the work as an individual effort. Students may not discuss their work with anyone other than the student's course instructor or instructor-approved proxy. Each student submits a copy of his work. The work reflects the student's own thoughts, understanding, and analysis. Students may not copy or review another student's work in whole or in part.

Individual-Collaborative

Students may discuss the work with other students as well as the student's instructor and instructor-approved proxy. Students complete the work as an individual effort. Each student submits a copy of her work. The work reflects the student's own thoughts, understanding, and analysis. Students may not copy another student's work in whole or in part.

Group

Students complete the work as a group effort. Students may not discuss the work with anyone other than the student's course instructor, instructor-approved proxy, and other members of the student's group. Each group submits a copy of its work. The work reflects the group's own thoughts, understanding, and analysis. Students may not copy or review another group's work in whole or in part.

Group-Collaborative

Students may discuss the work with other groups as well as the student's course instructor, instructor-approved proxy, and members of the student's group. Students complete the work as a group effort. Each group submits a copy of its work. The work reflects the group's own thoughts, understanding, and analysis. Students may not copy another group's work in whole or in part.

NOTE: ALL COURSE ASSIGNMENTS ARE CONSIDERED TO BE INDIVIDUAL.

Grading Scale:

Final letter grades will be determined on a standard scale where: A = 92% or above, B+ = 89% - 91%, B = 82% - 88%, C+ = 79% - 81%, C = 70% - 78%, D = 60% - 69%, and F = below 60%.

Course grades will be determined as follows:

Exams:

| | |
|------------------------------------|------------|
| Midterm Exam | 200 |
| Final Exam | <u>200</u> |
| Total Exam Points | 400 |
| Case Write-Ups | 120 |
| Preparation / Participation | 60 |
| Character Journal: | 50 |
| Multiple Choice Questions | <u>45</u> |
| Total Course Points | <u>675</u> |

Exams:

There will be two exams throughout the semester: **a midterm exam** and **a non-comprehensive final exam**. Exams will consist primarily (if not exclusively) of multiple choice questions. If exams are not exclusively multiple choice questions, they may contain some short answer/brief essay questions. Each exam is worth 200 points (400 points total).

Case Write-Ups:

Cases form a fundamentally critical component of this course: 1) Cases are used to apply course material to relevant accounting and managerial situations, 2) Cases are used to facilitate the learning and incorporation of course topics and ideas, 3) Cases are used to facilitate class discussion of material.

Since cases are a fundamental component of this course, it is equally important that you read the cases and develop your own thoughts and case solutions **before class**. Here are the **expectations regarding all case assignments:**

- 1) Read the case **before class**.
- 2) Prepare a ***numbered, typed, double-spaced*** case write-up that 1) answers all case questions, 2) ***thoroughly*** analyzes the ethical dilemmas of the case ***and recommends a solution***, 3) ***applies course material*** and concepts to the case where applicable, 4) complies with Baylor's and this class' academic honesty policy. Case write ups should be ***no longer than 3 pages (12 point font, double-spaced, 1" margins)***. Your case write ups should be organized with ***numbered responses*** to the case questions. You do ***not*** need to type up a paragraphical, narrative case write up. Simply answer the questions.
- 3) **Go to the Blackboard course page**, and submit an electronic copy of your case write-up to **turnitin.com** through Blackboard **before class**.
- 4) Bring **2 copies** of your case write-up to class (one to turn in, ***if*** collected; the other to use for group and class discussion).

Here is how your case write-ups will be evaluated.

- 1) Your case write-ups will be **randomly collected throughout the semester at the beginning of class**.
- 2) When randomly collected, your case write-up may be evaluated in the following ways:
 - a. Checked for completeness and a good faith effort (**5 – 10 points**).
 - b. Read and examined for 1) completeness, 2) a thorough discussion of topics, 3) accuracy of thoughts/writing, 4) clearly organized and purposeful thoughts/writing, 5) conciseness, 6) grammar, among other things. (**10 - 15 points**).

Cases are worth 120 points.

Preparation / Participation: Preparation / Participation will be evaluated by your instructor in either of two ways. Preparation / Participation is worth 60 points (2 points per class period * 30 class periods = 60 points):

Here are some planned criteria for the evaluation of your course **participation** (method 1):

- 1) **Attendance:** You will receive 1 point for each class period you attend **on time**.
- 2) **Participation:** You will receive 1 point for **substantive, material** contributions to class discussion each class period. Examples of substantive, material contributions would be: 1) thoroughly answering a class question, 2) asking an insightful question, 3) contributing key comments to class discussion, for example building on other students' comments and tying concepts together. You could receive a negative point if you are called on and unprepared for class and to answer that day.
- 3) **Active Participation:** In any class period you could be randomly asked to present Cheesehead Question solutions or case solutions to the class and facilitate/lead discussion. If this is done well (i.e., you demonstrate a thorough grasp of course material and present it clearly to your classmates), you will earn 2 points. Scores on active participation activities can range from -2 to 2.

Here are some planned criteria for the evaluation of your course **preparation** (method 2):

- 1) **Attendance:** You will receive 1 point for each class period you attend **on time**.
- 2) **Preparation:** You will receive 1 point for fully completed course materials for a class period, if checked (e.g., answered cheesehead questions to chapter material, articles, etc.).

Character Journal:

Developing your professional character (i.e., **acting correctly**) is just as or even more important than developing your academic intellect (i.e., **thinking correctly**). The aim of your character journal is to help you improve your professional character. Just like maintaining your physical health, maintaining your professional character is a continual process.

Before each class period, there will be a character story highlighting an important attribute of professional character. You should do the following:

1. After reading the story, take five minutes to write your own personal thoughts on the character story for the day. Remember to:
 - a. Write in ***the first person singular***—personalize YOUR journal. How does this story affect YOUR life? How does this story relate to YOU? What does this character attribute mean to you? Why is this character attribute important to you? **Personalize it!**
 - b. **Use a three-ring binder** and loose leaf sheets of paper.
2. Print off the stories from Blackboard and organize them with your personal thoughts in your three-ring binder.
3. Update the story index by filling in the date of the class period relating to the used character stories.
4. Periodically (**randomly**) throughout the semester the journals will be collected ***at the beginning of class***. **Make sure you come to class on time with your journals prepared to turn in OTHERWISE YOU WILL RECEIVE A ZERO (0) FOR THAT JOURNAL COLLECTION.**

At the beginning of each class period, I will open the class to discussion of that period's character journal topic. Feel free to share your thoughts on the topic.

Your character journal will be evaluated on 1) the completeness of your journal and 2) compliance with the journal requirements. Remember: the purpose of this journal is for your own personal growth and character development. You will get out of your journal what you put into it. The journal is worth 50 points.

Multiple Choice Questions:

Creating and anticipating questions is a technique that can be used to help you learn and understand course material. Each week, you will **e-mail 1 multiple choice question by Thursday at 5:00pm of each week related to the current week's materials that were just covered.**

Each multiple choice question will be evaluated on the thoughtfulness of the question: 1) Does the question have good "distracters" (i.e., plausible wrong answers as alternative choices)?, 2) Is the question challenging?, 3) Does the question test a thorough understanding of course material? **4) Does the multiple choice question include an answer to the question?**

Each multiple choice question is worth 3 points. Multiple choice questions are worth a total of 45 points (15 weeks (questions) * 3 points each week (question) = 45 points)

OTHER RELEVANT ITEMS:

In-Class Groups:

In-class groups will be **formed the first day of class** and will be used extensively throughout the course. For example, you will often discuss cases in your groups and prepare group solutions to cases for class presentation and discussion.

Wednesday Dinners with Marty (5 Bonus Points):

Each in class group will make a reservation for one "Wednesday Dinner with Marty". On that Wednesday evening, Marty will take you out to dinner. This provides us with an opportunity for everyone to get to know each other a little bit better. In addition to casual conversation, we can also talk about your perspective on the course, possible course improvements, and any other opinions or suggestions you may have.

When your group makes a Wednesday reservation, you're welcome to suggest a restaurant. If no restaurant is suggested, we will likely dine at Rudy's, my favorite Waco restaurant. **Group reservations are due by Wednesday, September 6, 2006.**

Name Tent and Resume Requirements:

No points can be earned by any student in the course until 1) an acceptable name tent and 2) a resume are received. Name tents will be completed in class on the first day of class (8/21/06). Resumes can be sent electronically via e-mail or a hard copy can be turned in. Resumes are due at the beginning of the second day of class (8/23/06).

Class Policies

Attendance Policy

Per University policy, you must attend at least 75% of class meetings; violation (**missing 8 or more class periods**) may result in a grade of "F" from the course. Attendance is taken at the **beginning** of the hour. If you do not arrive by the time attendance is taken, you will be considered absent. No excuses for absences will be accepted.

Hankamer Classrooms

In order to maintain the high quality of the classrooms, per Hankamer School of Business policy, please dispose of any drinks and food **BEFORE** entering the classroom. Water in the classroom is allowed.

Disabilities/Office of Access and Learning Accommodation (OALA)

Every reasonable attempt will be made to remove any physical barrier, which may hamper the ability of an individual to learn in the classroom. Anyone who has a physical disability that may impact the completion of assignments should feel welcome to discuss this limitation with the professor. Baylor University and its faculty are committed to helping you meet your individual needs and to supporting your efforts for a quality education. For assistance, contact the Office of Access and Learning Accommodation at 710-3605 **and your instructor within the first two weeks of the semester.**

Academic Honesty and Integrity

All work turned in for a grade must be solely the work of the individual/group turning it in. Collaboration or sharing work with other individuals/groups will be considered a violation of the Baylor University Student Honor Code (see the final pages of this syllabus). I take the honor code at Baylor University very seriously, just as professional accountants take their professional codes of conduct seriously. All work represented as individually yours should be done solely by you. This means no plagiarism. For this purpose, I define plagiarism as copying material directly from any other source without giving proper reference. If one student/group gives work done to another student/group, **BOTH THE 'GIVER' AND 'RECEIVER' WILL BE TREATED AS EQUALLY CULPABLE.** Plagiarism occurs whether or not the act was intentional or not. Unintentional sharing of one's work or use of another's work constitutes negligence. This is considered just as serious as intentional plagiarism, and the penalty assessed will be the same.

Violations of the Honor Code will result in an "F" in the course, though other penalties are possible in exceptional circumstances. If you are unclear about any aspect of this policy, contact the professor **BEFORE** handing in your assignment.

Students agree that by taking this course, all required papers, exams, class projects or other **assignments** submitted for credit **may be submitted to turnitin.com** or similar third parties to review and evaluate for originality and intellectual integrity. A description of the services, terms and conditions of use, and privacy policy of turnitin.com is available on its web site: <http://www.turnitin.com>. Students understand all work submitted to turnitin.com will be added to its database of papers. Students further understand that if the results of such a review support an allegation of academic dishonesty, the course work in question as well as any supporting materials may be submitted to the Honor Council for investigation and further action.

Blackboard

The course is supported by the Blackboard course delivery system. I will use Blackboard to communicate with you, to provide you with course materials, including course syllabus, handouts, PowerPoint slides, and assignments. Every student will receive a Blackboard login and password with which you can access this course. The Blackboard URL is <https://my.baylor.edu/webapps/portal/frameset.jsp>.

| CLASS PERIOD | TOPIC/ CHAPTER | ARTICLE / VIDEO | CASE ASSIGNMENTS | OTHER ASSIGNMENTS |
|---|--|--|--|--|
| 1 08/21/06 | Course Introduction: Day 1 | Article: Parable of the Sadhu Articles/Video: Ethics on Everest Article: “Entering the Fundamental State of Leadership” | | Name Tents Due |
| 2 08/23/06 | Course Introduction: Day 2 | Video Clip: The Big One (Nike and Phil Knight) Video Clip: “Living Wage” Video Article: Learning a Lot vs. Looking Good: A Source of Anxiety for Students | It’s simply academic | Resume Due |
| Develop and apply an analytical, <i>ethical decision making</i> framework. | | | | |
| • “THE ETHICS OF MANAGEMENT” LaRue Tone Hosmer (ISBN: 0-07-299607-2) | | | | |
| 3 08/28/06 | Chapter 1 “Moral Problems in Management” | | Tyco Corporation and Questionable Actions by the Chairman Cruise Ships and the Disposal of Waste at Sea | |
| 4 08/30/06 | Chapter 1 “Moral Problems in Management” | | Whirlpool Corporation and the Sale of Dish Antennas | |
| 09/04/06 LABOR DAY HOLIDAY—NO CLASS | | | | |
| 5 09/06/06 | Chapter 2 “Moral Analysis and Economic Outcomes” Page 44, 45 from <i>Understanding Accounting Ethics</i> | Video Clip: Wall Street “Greed is Good” speech. | 9/11 and Compensation for the Victims World Bank and the Export of Pollution | Wednesday Dinner With Marty Reservations Due (5 Bonus Points) |
| 6 09/11/06 | Chapter 2 “Moral Analysis and Economic Outcomes” | Video Clip: Green Giant’s Decision to Move to Mexico Video Clip: Ford Pinto Crash | Green Giant and the Move to Mexico. Ford Pinto | |

| CLASS PERIOD | TOPIC/ CHAPTER | ARTICLE / VIDEO | CASE ASSIGNMENTS | OTHER ASSIGNMENTS |
|---------------------|--|--|--|---|
| 7 09/13/06 | Chapter 3 “Moral Analysis and Legal Requirements” | Video Clips: Martha Stewart Morning Show Interview; 60 Minutes Interview | Martha Stewart’s and the Sale of ImClone Stock | Class Assignment on Personal Goals |
| 8 09/18/06 | Chapter 3 “Moral Analysis and Legal Requirements” | | H.B. Fuller and the Sale of Resistol. | |
| 9 09/20/06 | Chapter 4 “Moral Analysis and Ethical Duties” | | Betaseron Case New York Stock Exchange and the Pay/Retirement Package for the Chairman | |
| 10 09/25/06 | Chapter 4 “Moral Analysis and Ethical Duties” | Video: Is Wal-Mart Good for America? | Wal-Mart Stores in Northern Michigan | |
| 11 09/27/06 | Review Chapter 2 “Economic Outcomes, Chapter 3 “Legal Requirements” and Chapter 4 “Ethical Duties” | Video/Case: A Question of Power: HydroQuebec and the Great Whale Generating Project Read: Hosmer p. 3 – 15. | | |
| 12 10/02/06 | Chapter 5 “Why should a business manager be moral?” | | Johnson and Johnson and the Recall of Tylenol Herman Miller and the Protection of the Environment Merck Corporation and the Cure for River Blindness | |
| 13 10/04/06 | Chapter 6 “How can a business organization be made moral?” | Video Clip: Erin Brockovich | Exxon Valdez Case | |
| 14 10/09/06 | Chapter 6 “How can a business organization be made moral?” | | Electrolux Corporation and the Possibility of Renewal | |

| CLASS PERIOD | TOPIC/ CHAPTER | ARTICLE / VIDEO | CASE ASSIGNMENTS | OTHER ASSIGNMENTS |
|--|--|--|---|--------------------------|
| 15 10/11/06 | Review of “Methods of Ethical Analysis and Decision Making.” | Article: “Is Enron Overpriced?” McLean (2001) E-mail: Steve Kean to Ken Lay (2001) e-mail | Enron Corporation and the Need for Complete Revision. | |
| 16 10/16/06 | MIDTERM EXAM | | | |
| <p>Explore the <i>ETHICAL</i> foundations of accounting: A return to <i>principles-based</i> accounting; a renewed sense of <i>professionalism</i>; and an appropriate <i>pride</i> in the profession.</p> <ul style="list-style-type: none"> • “A NEW APPROACH TO UNDERSTANDING ACCOUNTING ETHICS” Mark Cheffers and Michael Pakaluk (ISBN: 0-9765280-0-2) | | | | |
| 17 10/18/06 | Chapter 1: Introduction | Video: Ethics Course Video | AAA Analytical Framework vs. Hosmer’s Analytical Framework | |
| 18 10/23/06 | Chapter 1: Introduction | Article: “The Accounting Cycle: Let’s Quit Enabling Accounting Frauds” Ketz (2005) Article: Mack (1993) “Hidden Risks” Spreadsheet: Mack (1993) Journal Entries Video: Jeff Skilling and HFV Clip from <i>The Smartest Guys in the Room</i> | Which Responsibilities Take Precedence? | |
| 19 10/25/06 | Chapter 2 : From Rules to Principles | Video: Weyhauser Logging Company. | Kardell Paper Co. | |
| 20 10/30/06 | Chapter 2 : From Rules to Principles | | The First Publication | |
| 21 11/01/06 | Chapter 3: Elements of Ethics | Article: Is business bluffing ethical? Carr (1968) | Jill’s Dilemma | |
| 22 11/06/06 | Chapter 3: Elements of Ethics | | Half Full or Half Empty? What to do About a Staff Infection? | |

| CLASS PERIOD | TOPIC/ CHAPTER | ARTICLE / VIDEO | CASE ASSIGNMENTS | OTHER ASSIGNMENTS |
|---------------------|--|---|--|--------------------------|
| 23 11/08/06 | Chapter 4: Basics of Accounting Ethics: Independence, Integrity, and Objectivity | Article: The Beleaguered Rulers Video: Stop Cox Confirmation | To Qualify or Not XYZ Company Case | |
| 24 11/13/06 | Chapter 4: Basics of Accounting Ethics: Independence, Integrity, and Objectivity Additional Reading: Messier et al. (Auditing Textbook), Chapters 19 and 20. | Power Point: Independence Rules Power Point: Integrity and Objectivity Rules Power Point: AICPA Code of Professional Conduct (Other AICPA Rules) Power Point: Personal and Professional Ethics for Texas CPA's Power Point: Accountants' Legal Liability Rules | To Resign or Serve Locker Room Talk | |
| 25 11/15/06 | Chapter 5: Enron, a Failure of Objectivity and Independence | Video: Bigger than Enron | Arthur Andersen's Troubles | |
| 26 11/20/06 | Chapter 5: Enron, a Failure of Objectivity and Independence | Article: Effects of group pressure upon the modification and distortion of judgments. Asch (1958) | The Enron Debacle | |
| 11/22/06 | THANKSGIVING BREAK—NO CLASS | | | |
| 27 11/27/06 | Chapter 6: WorldCom, a Failure in Professionalism and Integrity | Article: Behavioral study of obedience. Milgram (1963) Video Clip: Milgram Study Article(s): How Following Orders Can Harm Your Career (The Betty Vinson Story) | WorldCom: The Catalyst | |

| CLASS PERIOD | TOPIC/ CHAPTER | ARTICLE / VIDEO | CASE ASSIGNMENTS | OTHER ASSIGNMENTS |
|---------------------|---|--|-------------------------|--------------------------|
| 28 11/29/06 | Chapter 6: WorldCom, a Failure in Professionalism and Integrity | Video: WorldCom: The Big Lie. | | |
| 29 12/04/06 | Chapter 7: Can Accounting Ethics Be Taught? | Article: How (Un)Ethical Are You? Article: Mark McCollum's (2004) BAP Initiation Banquet Speech | | |
| 12/07/06 | Final Exam | WHEN: 11:30am – 1:30pm | WHERE: TBA | |

This syllabus and class schedule is *subject to change*. You will be notified in advance of any changes to the syllabus.