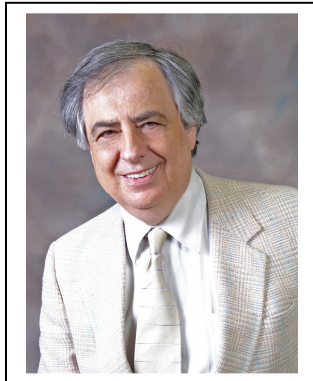




Teaching & Curriculum Section
American Accounting Association

The Accounting Educator

Winter 2007 Volume XVI, No. 1



A MESSAGE FROM THE CHAIR

Dear Teaching and Curriculum (T & C) Committee Members:

First, I want to thank you all for supporting our Section and for your commitment to the accounting educational process.

I also wish to inform you of certain services that our Section performs for its members. We plan to provide many fine educational papers and panels at our Regional and National Meetings, including panels offered by our Shared Experiences Committee. Each Region will award cash and plaques for the best educational papers presented there, provide ice cream socials, and seek to attract participation from local colleges and community colleges near each region to boost attendance. At the 2007 Annual Meeting (Chicago), our Research Awards Committee plans to recognize the best paper published recently in an accounting education journal.

Please notice our new Web Page that Michael Haws developed so well. And, you will enjoy reading this new volume of *The Accounting Educator*, under the leadership of Dale Flesher, which includes major contributions from Steve Mintz and Nashwa George. Dale is also coordinating the T & C Program Track for our 2007 Annual Meeting.

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I want to thank Priscilla Burnaby for her recent survey of our Membership; the results should help us improve our services to you. We plan to disseminate these results soon.

As discussed at the 2006 Annual Meeting in Washington, DC and in our Website (<http://aaahq.org/TeachCurr/index.html>), my 2006-07 goals for our Section include:

1. Strengthen the image of pedagogical/educational research as a recognized academic discipline,
2. Help to improve our members' pedagogical/educational research skills;

3. Increase attendance at AAA Regional and National Meetings by community college faculty members, accounting practitioners, and accounting doctoral students, as well as accounting faculty members from regional colleges and universities; and

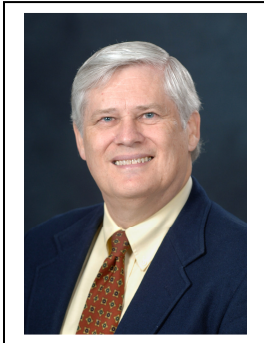
4. Provide relevant Continuing Professional Education programs at these meetings;

In summary, I want the T & C Section to become more relevant to your needs. I would appreciate greatly your suggestions in this endeavor.

Thank you again for supporting our Section, and I wish you all a successful academic year.

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FLESHER APPOINTED NEWSLETTER EDITOR



Dale L. Flesher, Arthur Andersen Professor of Accountancy and Associate Dean at the University of Mississippi, has been appointed as the new editor of *The Accounting Educator*. Flesher replaces Steven M. Mintz of California Poly University at San Luis Obispo, who was forced to resign due to illness. Those who wish to correspond with Dr. Flesher may contact him at the following address:

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ACTIVITIES AT REGIONAL AAA MEETINGS

At each of the seven regional AAA meetings in the spring of 2007, an award will be given by the Teaching and Curriculum Section for the best Educational Paper for each Region. The winner(s) of each will receive a \$250 award, plus a plaque from the AAA. Co-authors will receive pro rata shares of the \$250. Awards will be presented at the main regional luncheon or breakfast meetings. Also, there is a plan to hold a T&C Section Ice Cream Social at each Region (normally on Friday Nights). Non-members will pay \$10 for this Social or pay the \$10 to join our Section. T&C Members may attend for free.

CALL FOR PAPERS—THE ACCOUNTING EDUCATOR

You are invited to submit a short article (maximum two single-spaced pages, 12 point font) for publication in the next issue of *The Accounting Educator*, the newsletter of the T&C Section. The Theme is “How Schools Define Professionally Qualified (PQ) and Academically Qualified (AQ) Faculty.” The AACSB issued guidelines as to how these categories should be viewed, but the question remains of how schools actually implement the guidelines. Thus, articles are requested on how your school defines AQ and PQ. Submit your article as an e-mail attachment (MS WORD) to Dale Flesher at acdlf@olemiss.edu. Deadline is February 1, 2007.

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TEACHING IN CHANGING TIMES: AN EDITORIAL

Timothy J. Fogarty

Case Western Reserve University

As many have observed, one of the major advantages of teaching at a university is being in the company of young people who never seem to age. As the decades slip by, a seemingly endless number of cohorts enter our world and just as quickly leave it. It is easy to believe that students do not change in any important way. Yes, we see the ebbs and flows of fashion, language and technology. However, these dimensions do not call us to change our teaching in substance or form. Perhaps, however, we are being purposefully naïve.

I like to think that I am in the middle of my career in the academy. If you are there with me, you were forged in the fires of the sixties, were formally educated in the seventies and eighties (squeezing in some work experience here and there), and have been at the wheel of higher education ever since. Have there been any important changes in the composition of the student population over this time frame? How could you say no?

I do not purport to give you the full answer. I will offer a few preliminary thoughts that may or may not resonate with the reader. In essence, I admit that I have posed a better question than I have answers. I start with the choice that few of us have addressed formally. When teaching, should you pitch your efforts to the top students or to those at the bottom? Is your job mostly to challenge the very able students in the effort to make them great, or is it to save the marginal ones that would otherwise be lost to the profession and perhaps a middle class income? Either choice has its logic, but it also has the opportunity cost of under-serving the group that is not targeted. Pitching the difficulty of the approach toward the middle of the class is a choice to equally fail both ends, albeit less extremely. The question is not whether such a continuum of ability exists, but instead has its absolute position shifted over the years?

Debating the overall academic abilities of one generation relative to another is relatively fruitless. Instead we could reach more common ground by looking at particular behavioral tendencies. Today's students appear to be more vocationally driven but much less well-rounded. They are more technologically savvy but less likely to have partaken in deep investments in writing. They are more demanding as consumers, but not yet comfortable with the necessity that they be producers. They tend to be less reticent interpersonally. Perhaps the higher degrees of structure that the world has provided them has simultaneously increased their proclivity to demand accountability and suppressed their abilities "outside the box."

If there is truth to these generalizations, then teaching needs to take these needs into account. Ignoring them insists that the attributes of the people in our class have no legitimacy or no role in that which they are learning. To roll with them shows that the tide of times cannot be stemmed but instead should be embraced.

First in the category of things that faculty can do that are consistent with the tenor of the times, there are orientations and activities that accept that students need to be at the helm of the technologies that are actually in use today. The premise that conceptual appreciation must precede application grows thin as an alternative approach. At the risk of pandering to their vocationalism, students never tire of the idea that real people are making real decisions on the basis of the material taught in accounting classes. This recommends frequent forays into the realm of guest speakers and practitioner materials. The line that once separated the academy and practice means less than you once thought. We should give students more opportunities to present to the class. Just because you hated it when you were their age is of no consequence. Faculty should also “walk the walk” by being as accountable for their work as they suggest companies be in their financial records.

We can also think in the negative, of that which is out of touch with our era. For example, the assumption that historical knowledge is present is a precarious one. As we speak, Enron et al and the pre-Sarbanes-Oxley world becomes a fantasy for students. More direct efforts will be needed to backfill their storylines, if they are needed. We also need to (with great reluctance sometimes) question whether historical knowledge is the sine qua non of an educated mind that it once was. That “theory” is a dirty word comes as a surprise to fewer and fewer; How many years has it been since such a section on the CPA exam existed anyway? We may be the last one left holding the “theory bag.”

I am torn about the accommodation of today’s students’ conception of their “consumerhood.” Whereas the irrelevance of their inputs of effort and time to the outcome of grades is a no-brainer, we need to depart from the vestiges of the imperial professor. That which smacks of “it is because I say so” is offensive to a group that has to be constantly reminded that education is different than a new pair of sneakers.

This is not a capitulation. This is not a lowering of standards. There is a strong case for bucking the tide on some fronts. For example, the unprecedented reluctance of students to write cannot be countenanced. In fact, we need to reverse how deeply we have facilitated the bias against the written word with our emphasis on calculation and procedure. In other areas, we should, however, reexamine the necessity of “old school” attitudes and methods.

HAVE YOU SEEN?

ABSTRACTS OF RECENT ARTICLES ON ACCOUNTING EDUCATION

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1. Accounting Ethics Education: Integrating Reflective Learning and Virtue Ethics

Steven M. Mintz. **Journal of Accounting Education**, Volume 24, Issues 2-3, and Special Edition: *Colloquium on Change in Accounting Education*, 2006, pp. 97-117.

This paper explains the use of reflective learning techniques to create and deliver a new ethics course. Students apply virtue-based reasoning with reflective thinking to resolve conflicts faced by accounting professionals. Teaching techniques include class discussion, minute papers, reflection journals, role playing, and case analysis. Students express their thoughts orally and in written form, interact with other students, receive feedback during and after assignments, and demonstrate what they have learned. Reflective learning helps to transform existing ideas and understandings to come to a new understanding of a situation. As a tool for ethics education in accounting, reflective learning provides the link that may enhance ethical understanding and enable students to apply virtue and reflective thinking to a variety of situations discussed in accounting courses. For students, reflective learning slows down classroom activity giving them more time to process the material, linking it to prior ideas. Instructors benefit from frequent student feedback and greater involvement in the learning process.

2. The Evolution of A Graduate Capstone Accounting Course

Cathleen S. Burns. **Journal of Accounting Education**, Volume 24, Issues 2-3, Special Edition: *Colloquium on Change in Accounting Education*, 2006, pp. 118-133.

This paper discusses how the design of a graduate capstone accounting course evolved over 3 years, taking into consideration input from various stakeholders. The course has three, 5-week modules: accounting ethics, earnings management, and business strategy. The accounting ethics module emphasizes codified principles of ethics and professional behavior in accounting. The integrating theme of the last two modules is how accounting professionals can detect earnings management being used as a short-term solution to a longer-term strategic problem. Materials are included that may assist other schools contemplating a capstone accounting course in their 150-hour program.

3. Does Cooperative Learning Enhance the Residual Effects of Student Interpersonal Relationship Skills? A Case Study at a Taiwan Technical College

Kai-Wen Cheng. **Journal of American Academy of Business, Cambridge**. Sept. 2006. Vol. 10, Issue 1; p. 312 (5 pps).

The relative effectiveness of cooperative learning instruction and traditional lecture-discussion instruction were compared for Taiwan technical college students to determine the residual effects of interpersonal relationship skills on accounting courses. A pretest-posttest control group experimental design involving two classes was used. The experimental group students (n=53) received the cooperative learning instruction, and the control group students (n=45) received the

traditional lecture-discussion instruction. The "Interpersonal Relationship Skills Test (IRST)" was used as the research instrument. A multivariate analysis of covariance (MANCOVA) suggested that students taught using the cooperative learning instruction scored significantly higher than did students in the traditional lecture-discussion group. The research results showed that the cooperative learning indeed enhanced the residual effects of student interpersonal relationship skills and that cooperative learning could serve as an appropriate and worthwhile reference that schoolteachers could apply to their teaching instruction.

4. An Examination of Faculty Perceptions of Academic Journal Quality within Five Specialized Areas of Accounting Research

Suzanne Lowensohn, Donald P. Samelson. Issues in Accounting Education. Aug 2006. Vol. 21, Issue 3; p. 219, 21 pps.

In recent years, research and publishing efforts of accounting academicians have become increasingly specialized, as evidenced by the popularity of American Accounting Association (AAA) specialized sections and the increase in specialized academic publications (Herron and Hall 2004; Zeff 1996). Despite the trend, there is evidence that specialized areas are under-represented in the academic accounting journals typically regarded as top-tier (Bonner et al. 2006) and minimally considered in journal quality studies (Bean and Bernardi 2005). This study identifies top-quality research publication outlets in five specialized areas of accounting research (behavioral, taxation, government and nonprofit, management accounting, and information systems), as perceived by accounting faculty familiar with these areas. Surveyed were members of five AAA sections regarding journal quality and the effect of journal quality on promotion and tenure. There are multiple outlets for high-quality research in specialized fields, but many of these are relatively new and overlooked in prior studies. Also, the findings demonstrate that accounting academics in at least two specialized areas (government and nonprofit, and information systems) may face difficulties substantiating the quality of their research.

5. Effective Team Building: Guidance for Accounting Educators

Stephanie M. Bryant, Susan M. Albring. Issues in Accounting Education. Aug 2006. Vol. 21, Issue 3; pg. 241, 25 pps.

Accounting educators are charged by a multitude of professional bodies with instilling the skill of team building in their accounting students. However, accounting educators often do not have the background in the myriad disciplines required to effectively impart team-building techniques. This paper reviews the sociology, industrial psychology, and organizational behavior literature and applies that literature to accounting to help accounting educators identify effective team-building techniques. Major models and theories of team building are examined to provide guidelines for educators who wish to promote team-building competencies within group projects.

6. Using 10-K Reports Brings Management Accounting to Life

E. Michael Bamber, Linda Smith Bamber. Issues in Accounting Education. Aug 2006. Vol. 21, Issue 3; p. 267, 24 pps.

The accounting profession and business community have called for educators to present accounting in more realistic contexts. Annual reports and 10-Ks provide a wealth of information that brings accounting to life, but use of these reports is typically confined to financial

accounting courses. The first objective of this paper is to describe a process by which instructors can use a company's 10-K to create a series of mini-cases for cost and management accounting courses. These cases are intended to bridge the gap between typical end-of-chapter problems and full-blown Harvard-style cases. A series of cases based on the same company not only increases student interest, but is also an efficient way to help students understand and start to grapple with the ambiguity and complexity inherent in real-world management accounting (factors absent from most structured textbook problems). Applying a variety of management accounting tools and techniques to the same company helps students integrate what can appear to be a large set of loosely related topics, and better appreciate the broad role management accounting plays in supporting strategic business decisions. The second objective was to provide an illustration of a series of 10-K-based cases. These cases have been used in both the undergraduate cost/management accounting course, and in MBA introductory core and elective courses

7. The Effect of Interactive On-line Learning Systems on Student Learning Outcomes in Accounting

Bradley N. Potter, Carol G. Johnston. **Journal of Accounting Education**. 2006. Vol. 24, Issue 1; p. 16.

The authors examine the association between student use of a unique, interactive, on-line learning system known as MarlinaLS and the learning outcomes achieved by students in a major second year undergraduate accounting subject over the period 2002-2003. Primarily, they explore the relationship between students' use of MarlinaLS, an on-line system developed specifically to enhance reciprocal learning, and the examination performance of those students. Results show that student use of MarlinaLS is positively associated with their examination performance and also with the internal assessment result achieved. They also find that the extent of usage of the MarlinaLS system by students varies systematically based on a number of defined characteristics. The study enhances understanding of the role of teaching strategies generally, and, more specifically, the role of interactive on-line learning systems in improving student learning outcomes.

8. E-learning as Internationalization Strategy in Higher Education; Lecturer's and Student's Perspective

Gerda Mihhailova. **Baltic Journal of Management**. 2006. Vol.1, Issue 3; p. 270.

Use of e-learning opens up a new range of business expansion and internationalization opportunities for many companies including higher education institutions. The paper explores the challenges a business college encounters using e-learning as internationalization strategy. E-learning-related problems are analyzed from two main internal interest groups' point of view - lecturers and students. The aim of the case study presented in the paper is to find out what the major challenges are from a student and academic personnel perspective using e-learning. Questionnaires, in-depth interviewing and semi-structured group interviews were used to find answers to the posed research questions. In phase one, two types of questionnaires were distributed - Type A to lecturers and Type B to students, both types were constructed by the author. In phase two, two in-depth interviews and two semi-structured group interviews were conducted. The main problem areas for lecturers related to e-learning are: lack of time, lack of interest/motivation, lack of co-operation, compensation system does not take into account the specifics of e-learning and lecturers are concerned about the quality of teaching in a virtual

environment. The most problematic of them appear to be lack of time and inappropriate compensation system. Students appear to have interest in e-courses, but the level of knowledge regarding specifics of web-based learning as well as about e-courses offered was unexpectedly low. The originality of the paper stems from an interdisciplinary approach to e-learning--use of e-learning as a tool for internationalization.in Estonia.

9. Communication Apprehension and Math Anxiety as Barriers to Communication and Numeracy Skills Development in Accounting and Business Education

John Joyce, Trevor Hassall, José Luis Arquero Montaña, José Antonio Donoso Anes. **Education & Training**. London: 2006.Vol. 48, Issue 6; p. 454.

The purpose of this paper was to establish the existence of barriers to communication and numeracy skills development and to establish the levels of these exhibited by accounting and business students at the start of their courses in higher education. The methodology involved using questionnaires to establish the levels of communication apprehension (CA) and math anxiety (MA). Establishes the underlying factors that are influential in determining the levels of apprehension and anxiety in students. An analysis of the underlying demographic variables such as age, previous educational background, etc. is also undertaken. Identified was the existence of high levels of CA in accounting students and MA in business studies students. Where high levels of CA in accounting students and MA in business studies students are shown to exist, consideration must be given to relevant curriculum design and delivery, and the use of techniques designed to reduce apprehension/anxiety in the students concerned. Because the apprehension/anxiety is present on entry to higher education, it may be that specific courses appear to be recruiting students whose perception of their longer term vocational skills requirements may be inappropriate to their chosen career area. Identified are specific differences in the areas of CA and MA between differently focused vocational courses, which have syllabus overlap, within a business school.

10. Professional Ethical Crises; A Case Study of Accounting Majors

Christie L. Comunale, Thomas R. Sexton, Stephen C. Gara. **Managerial Auditing Journal**. 2006. Vol.21, Issue 6; p. 636.

The purpose of this paper is to investigate how accounting majors have reacted to recent accounting scandals and to evaluate the extent to which they are familiar with the scandals, the effects of the scandals on their opinions of accountants and corporate managers, and the consequent influences on the student's educational and career plans. In total 105 accounting majors at two institutions were surveyed. Forsyth's ethics position questionnaire was used to evaluate the student's ethical orientation. The survey instrument also measures student demographic data, the student's knowledge of the profession and the scandals, and how the scandals affected the student's opinions and plans. The data are analyzed using linear regression. Accounting students are generally knowledgeable about the scandals but seem to know considerably less about the accounting profession. Accounting students lowered their opinions of corporate managers more than that of accountants. Accounting students also express an increased interest in majoring in accounting and seeking a position in the profession, but express less interest in working for a Big 4 firm.

11. The Use of Information Technology in Teaching Accounting in Egypt: Case of Becker Professional Review

Khaled Dahawy, Sherif Kamel. Journal of Cases on Information Technology. Jul-Sep 2006. Vol.8, Issue 3; p. 71, 17 pps

The use of information and communication technology has become an integral component and a vital tool in teaching accounting. Over the last few decades, the blend of using state-of-the-art technologies has improved the effectiveness and efficiency of the learning process. Respectively, some predict that physical campuses will decay and crumble in the near future with the continuous growth of borderless societies and the diffusion of extended enterprises leading to a hybrid model for knowledge delivery that extends beyond distance and time barriers. The main emphasis of this case is to study the deployment of technology in teaching accounting in Egypt, using the case of Becker Professional Review in providing trainees with the required training that enables them to pass exams and get professional certification using emerging information technology. The case demonstrates how information technology can provide a platform for knowledge dissemination and demonstrates a model that can be replicated in other environments.

12. Using A *White-Collar Profession* in Accounting Courses: Approaches to Addressing Diversity

William D. Samson, Cheryl L. Allen, Richard K. Fleischman, and Ida B. Robison-Backmon. Accounting Historians Journal: June 2006. Vol.33, No.. 1; pp. 25-52.

Accounting educators agree that diversity is an important and much neglected part of accounting education. They further recognize that it is difficult to incorporate this topic into the accounting curriculum. This paper describes the efforts of various professors to expose business and accounting students to the evolution of diversity issues related to the accounting profession by using the book *A White-Collar Profession* by Theresa Hammond (2002). The book presents a history of the profession as it relates to African-American CPAs and documents the individual struggles of many of the first one hundred blacks to become certified. This paper describes efforts of faculty at four different colleges to use the book in their teaching of accounting. Instructors found that students not only developed an enhanced awareness about the history of the accounting profession, but that other educational objectives were advanced, such as improved communication and critical thinking skills, increased social awareness, and empathy for others. African-American students, in particular, embraced the people in the book as role models, while most students saw the characters as heroic in a day when the accounting profession is badly in need of role models and heroes.

CALL FOR NOMINATIONS

The Nominating Committee of the Teaching & Curriculum Section invites nominations for Chair-Elect, Secretary, Treasurer, and four members of the Nominating Committee. All nominations are for 2007-08. The Chair-Elect will serve one term and will become the Section's Chair in 2008-09. All others will serve during 2007-08 for one year. The responsibilities of persons serving in each position are described in the Section's bylaws, which are available at <http://aaahq.org/TeachCurr/bylaws2005.htm>.

If you know someone who is interested in serving the Section in any of these capacities, please forward names and contact information to

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Self nominations are welcome and encouraged. Each nomination should include a brief vita that will enable the Nominating Committee to consider nominees based on the criteria listed in Section VII of the Section's bylaws. These criteria include:

- (a) prior T&C service and leadership positions (committee chairs, regional directors etc.);
- (b) AAA service;
- (c) professional or academic leadership experience;
- (d) contributions to the discipline with a focus on teaching and curriculum issues; and
- (e) evidence of commitment and willingness to serve.

All nominees must be members of the section, in good standing.

Additional information about the nominations process is available in the Section's bylaws <http://aaahq.org/TeachCurr/bylaws2005.htm>. The deadline for receiving nominations is March 5, 2007.

CALL FOR PAPERS

12th ANNUAL ETHICS RESEARCH SYMPOSIUM

Hosted by the AAA's Professionalism and Ethics Committee

August 4-5, 2007: Chicago, IL

The Professionalism and Ethics Committee of the American Accounting Association invites submission of papers for presentation at the 12th Annual Ethics Research Symposium to be held August 4-5, 2007 in Chicago, IL. This Symposium will focus on ethics research and teaching within the field of accounting.

Highly publicized business and accounting scandals have prompted an increased interest in the ethical aspects of accounting. Honesty, integrity and objectivity are among the most important qualities of ethical accounting practice.

It has been 16 years since the Professionalism and Ethics Committee of the AAA offered its first seminar on teaching ethics in accounting curricula. The 12th Annual Ethics Research Symposium encourages papers in a number of areas of accounting ethics scholarship. Sample topics may include, but are not limited to, the following:

- Philosophical foundations of accounting and accounting ethics
- Theological foundations of ethical accounting practice
- Historical perspectives on the development accounting ethics
- The application of sociology, psychology and/or political theory to ethical issues in accounting
- Accountancy as an ethical profession
- Accounting ethics compared with professional ethics
- Critical studies of ethical lapses in business or accounting practice
- The ethical role of accounting in social and environmental reporting

The Symposium will take place as a Continuing Professional Education seminar immediately preceding the 2007 American Accounting Association Annual Meeting in Chicago.

Authors wishing to have papers considered for presentation at the Ethics Symposium should send their papers as an e-mail attachment (please identify all authors, their positions, and affiliations in a cover page, but not in the body of the paper). A \$20 non-refundable fee is required with each submission. Fees are waived for doctoral students. Please make all checks payable to the American Accounting Association. **Papers should be sent by e-mail and checks should be sent to the following address no later than April 1, 2007:**

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Currently, the following journals are associated with the 12th Annual Ethics Symposium:

- *Accounting and the Public Interest*
- *Global Perspectives on Accounting Education*
- *Research on Professional Responsibility and Ethics in Accounting*

More journals may be added at a later date. Those presenting a paper at the Symposium may choose one of these journal for submission of their paper. Authors who choose to designate a journal should contact that journal's editor to determine submission policies, including the timing of formal submission of the paper.

TEACHING ETHICS

Following are eight short articles dealing with the teaching of ethics in a variety of accounting classes. These are intended to provide instructors with hands-on materials for use in their classes.

THE ACCOUNTING CLUB'S DILEMMA

Anne J. Rich, Quinnipiac University

Michael Smith is President of the Accounting Club. Every year the club has been awarded a grant of \$5,000 from the State Society of CPAs. This year, Michael attended a meeting and was informed that the annual grant would be reduced to \$3,000. Accordingly, the club created a budget based on the expected lower award.

When the budget for student clubs was actually distributed by the university administration, the Accounting Club's funds included the original \$5,000 amount. Michael assumed the university simply carried over last year's amount and did not record the change. Michael is facing a dilemma. Some members of the club are urging he notify the administration. Others are suggesting he use the money for the club's activities.

Required:

- 1) What would you do if you were Michael?
- 2) If Michael does nothing, what might be the consequences if the university finds the error later on in the year?

Teaching Note to accompany "The Accounting Club's Dilemma"

This case is a short case that students can relate to easily. By putting themselves in the position of the Accounting Club president, students will be able to understand the pressures placed on managers in work environments.

- 1) Students will undoubtedly know the right answer is to inform the university administration. However, the instructor should discuss the pressure created by the students in the group who wish to use the money. Instructors may want to ask the question: "In practice, how many people do you think would actually correct the balance?"
- 2) If Michael does nothing, and the university finds the error later, there may be two negative outcomes. First, the money may have been spent and the club may not be able to repay. Second, the club advisor may learn about the actions of the club president and consider this unethical behavior when called upon to recommend the student to prospective employers.

INTRODUCING ETHICS ON THE STUDENTS' LEVEL

Carole Shook, University of Arkansas

There are significant challenges in teaching ethics. Have you ever felt like you've spent a lot of time developing or teaching a case on business ethics, to be left with the feeling that students just got lost in the technical business or accounting language? Have you had a colleague say, "Discuss issues, let the students have their say, but under no circumstance do you tell them what you think is ethical, because what makes you an expert?" After facing some of these issues, could you blame any professor for saying, "This is never going to be a successfully taught topic in my classes."

Recently, I decided that I was going to develop a lesson that combated the challenges mentioned above. I did some research and found an ethics expert, Randy Cohen, who has answered people's ethical questions for a number of years, every Sunday in *The New York Times Magazine* in his column *The Ethicist*. He also works with *National Public Radio (NPR)* as an ethical expert. So now, when we look at his responses, there is authority in the answer, not just "what the professor thinks". So what about technical language? The columns are sometimes about non-technical business issues, but are often about everyday situations that students can understand, that will apply to how they will manage their professional lives. It is a good place to begin the ethical discussion in introductory courses.

To teach the lesson, I put the questions in a PowerPoint presentation, and then have the students write their responses on a piece of paper (that I do not collect, so they will write what they really think). Writing it down keeps them focused on the task at hand. After each scenario, I briefly describe Mr. Cohen's answer. At this point students usually spontaneously begin discussing their response – with me! I do a mix of what I consider to be questions with an answer that you might not expect to get students to do some critical thinking, along with some that students should be able to answer "correctly" to build some confidence. Wait a minute – I am teaching them ethics, but they think we are just having fun!

Here are some sample questions and Mr. Cohen's responses:

Question 1: "I had a summer job at a bank where my brother and I have accounts. When I mentioned to a co-worker that my brother owed me \$50, she offered to move the money from his account to mine without consulting him. I believe it was ethical to do this because records were kept of the transaction, should a dispute occur, but friends think it was wrong. Was it? Cody Cobb, Houston". Answer: "Taking money from someone's bank account without consent? I'm neither a lawyer or accountant. Perhaps one day your co-worker's cellmate will be able to work this out." 10/1/06.

Question 2: "My boss accidentally left a document on my desk listing the salaries of all the company's employees. I read only the header, not the contents, then returned it. I felt I did the right thing, but now I'm not so sure. Reading it would have harmed no one, and the information would have helped me negotiate a long overdue raise. But would it have been ethical? J.H. San Francisco". Answer: "More than ethical – admirable. In your place I would have read the document, made sure my own salary was listed and circulated it (anonymously – I'm reform minded, not self-destructive) to everyone in the company. The one who benefits

most when such information is suppressed is your boss, not you or your colleagues. It can help an employee to know that a person at the next desk makes twice as much money for performing the same task. If salaries are reasonable, employees will understand and accept them. If they are not, secrecy helps only to sustain that injustice.” 10/15/06

Question 3: “In applying for a job, my friend completed the first phase of phone interviews, and the potential employer wants to fly her out for an in-person interview with this stipulation: if they offer the job and she declines, she must reimburse them for the cost of her visit. This seems coercive. Is this ethical? Becky Corran, Tucson.” Answer: “This policy is tightfisted but not unethical and not “coercive”. I can understand the potential employer’s desire to weed out frivolous applicants and he was not deceitful – he wasn’t running a travel scam, just pinching pennies at the job candidates’ expense. UPDATE: The friend declined the trip and took a job elsewhere”. 8/20/06

Question 4: “Our medical practice discovered that a recently discharged office administrator misappropriated several thousand dollars. The police were notified. This fellow then asked if we could “work things out” and avoid the legal system. Some of the physicians are willing to not press charges if he reimburses us. I feel we have an obligation to society and to potential future employers to continue with the criminal-justice system. Agreed? Name Withheld, New Jersey” Answer: “Not agreed. The criminal justice system is too blunt an instrument for the social microsurgery you want to perform. Instead consider how to best serve your practice, your community, and the miscreant himself. Were there mitigating factors – financial desperation, perhaps? Is he determined to not merely make restitution, but also to go straight? If the answers are yes, you should not make it tougher for him to lead an honest life. Many people make mistakes and learn from them. A reference letter can inform future employers about this fellow in a more nuanced way than a felony conviction on a rap sheet, a stigma that will severely narrow his options, not ease his return to the straight and narrow. If yours is a publicly held company you may be obliged to pursue this through the courts. UPDATE: The members of the practice voted to press charges.” 7/23/06

Question 5: “My son’s friend asked him for help on an assignment. My son agreed and only showed him the general approach to the assignment. The friend plagiarized some of it, and their teacher found out. Although the friend backed my son’s story, the teacher put a derogatory note in my son’s file. This could prevent his getting into the National Honor Society and may discourage other teachers from writing him college recommendations. Did my son go so wrong? Name Withheld, Oregon”. Answer: “Students often help one another understand assignments, a fine way to learn. If that was your son’s intent, then his conduct was not unethical, but it was imperfect. Rather than provide the actual answers to homework, he would have done better simply to discuss the assignment with his friend. Your son should have been savvier about the way his assistance might be abused. If the friend asked to borrow a gun, a mask, and a large canvas sack with “loot” stenciled on the side, your son might reasonably infer that these things would be put to dubious use. He should also have known if school rules proscribe such homework help. You should ask to see the note in the file. If you disagree with the assertions you should be given a chance to refute them.” 7/16/06

TEACHING ACCOUNTING ETHICS BY COMPARING PROFESSIONAL CODES OF ETHICS: A DOSE OF “LAW & ORDER”

Teressa L. Elliott, Northern Kentucky University
Andrea B. Weickgenannt, Northern Kentucky University

While teaching ethics, it is helpful to discuss professional codes of ethics. In fact, many professors begin teaching ethics by introducing a code of ethics as a foundation for further discussion and analysis of ethical topics. To deepen accounting students' understanding of the relevant ethical code (here, the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct), professors could compare it to another, different professional code of conduct. The process of comparing and contrasting two codes will enhance accounting students' understanding of ethics.

It thus could be helpful to compare the AICPA Code of Professional Conduct with the professional code of conduct for attorneys. Nearly every state (with the exception of California, Maine and New York) has followed the format of the American Bar Association (ABA) Model Rules of Professional Conduct. Therefore, it is best, in the classroom, to study the ABA Model Rules themselves.

The ABA Rules are an appropriate choice because they overlap with the AICPA Code on most topics, and a number of accounting students will attend law school and ultimately practice law (possibly as tax attorneys). In addition, business law classes are often housed within the department of accountancy and thus, there will be faculty within the department qualified to teach either code. Accounting and business law faculty could team-teach on this topic and thus give students perspectives on each of these ethical codes. Finally, the legal profession tends to be familiar and interesting to students, perhaps due to its popularity on prime time television.

Once the decision has been made to teach both codes of ethics, instruction should begin with the sections that most closely overlap. This will give students a greater understanding of the codes as they closely examine their similarities (and the differences in language within these similar sections) and will also alert students to the important ethical issues for these two professions. Both codes may be found online: www.aicpa.org/about/code/index.html (AICPA Code of Professional Conduct) and www.abanet.org/cpr/mrpc/model_rules.html (the ABA Model Rules of Professional Conduct), allowing students to easily access them when outside of the classroom.

Client confidentiality is a good starting point for the ethics discussion, as this principle is fundamental to both professions. Attorneys and accountants alike are prohibited from disclosing confidential client information unless the client consents or specific exceptions exist (Model Rules R. 1.6 and AICPA Code R. 301). An interesting discussion could involve these exceptions. A common exception allows confidential client information to be disclosed when required in compliance with a law or court order (Model Rules R. 1.6 (b) (6)) or compliance with: a law, government regulations, or a validly issued enforceable summons or subpoena (AICPA Code R. 301). Both the Rules and Code allow an exception for situations where the professional initiates a complaint or responds to a proceeding regarding the professional's work with the client (such as a malpractice case).

Referring to malpractice, professors can also discuss the overlap regarding professional wrongdoing that both the Rules and Code address. The ABA Model Rules of Professional Conduct refer to this as “misconduct” and the AICPA Code of Professional Conduct refers to it as “an act discreditable to the profession” (Model Rules R. 8.4 and AICPA Code R. 501). While the Rules and the Code both state that attorneys and accountants are not to engage in misconduct or acts discreditable to the profession, the description of what constitutes each is different and profession-specific (i.e., the Rules discuss the administration of justice while the Code refers to tax returns within this context). A discussion of how profession-specific these provisions are could lead to a better understanding of each profession and its role in our society and whether these provisions are broad enough.

Additionally, students may find it interesting that advertising is included as an ethical concept under both the Rules and Code. Both professions do allow advertising for their services, subject to restrictions (Model Rules R. 7.1, 7.2, 7.3, 7.4 and AICPA Code R. 502). Initially, students might find the restrictions unfair, given our free market society and the fact that attorneys and accountants generally strive to make money from their services. However, once the Rules and Code are reviewed, the restrictions on false, misleading or deceptive advertising and harassing or coercive solicitation will likely seem reasonable. Not only are these restrictions fair (and also embodied in other laws, such as the Fair Trade Commission regulations regarding advertising), but students may decide whether these restrictions ensure that society sees the law and accounting as professions and not just “jobs” where helping others, and not just making money, is a goal.

Once the areas of similarity are covered, professors may focus on unique characteristics of the AICPA Code. The most significant distinction between the Rules and Code lies within the principle and rules of independence (AICPA Code R. 101). While the Rules (Model Rules R. 1.2, 5.4) do allow attorneys professional independence, attorneys are still, first and foremost, advocates for their clients, whereas accountants are expected to be unbiased in their client relationships to maintain credibility. This makes independence a more defining precept of the accounting profession than the legal profession. Thus, there are countless opportunities for professors to discuss independence and its many interpretations and implications, especially in regards to the Sarbanes-Oxley Act.

Professors will find other areas of overlap (such as conflicts of interest and the requirement for truthfulness) and profession-specific disparity between the Rules and Code and further opportunities for classroom discussion. It is hoped that this article will help professors begin that discussion.

TEACHING ETHICS—AN ONGOING CHALLENGE

Sandra S. Lang, McKendree College

Teaching ethics is challenging. The topic of teaching ethics raises more questions than answers. Can right and wrong be *taught* to college students? Most would agree that students come into the college classroom with a personal sense of what is right and what is wrong. They also enter college with their mores already in place. Can an ethics course radically change either? I sat in on an ethics class in which I heard the professor state that the course was about choices. Agreed, but what does that mean regarding the teaching of ethics? Teaching ethics involves, but is not restricted to, the process of providing guidelines for decision-making. Every ethical decision is fraught with what ifs. It is the consequences of the decision process that the student—or anyone for that matter—needs to be cognizant of. Teaching ethics is definitely not teaching students what to think, but it is all about teaching students to consider the big picture of decision-making. Decisions are not isolated incidents. Students need to consider the potential effects resulting from decisions made and consciously acknowledge that there will be consequences.

There are many guidelines already in place for the accounting student to refer to when making decisions. The AICPA has its own Code of Professional Conduct. The Institute of Management Accountants has The Standards of Ethical Conduct for Management Accountants, and the Institute of Internal Auditors has its own code of ethics. In short, the guidelines are out there. In many situations, the line between ethical and unethical action has been drawn.

These guidelines help individuals recognize the existence of an ethical situation. They help individuals identify the ethical issues involved. These are important first steps. Texts in accounting deal with violations of codes or standards already in place. The solutions often assume that the organization has a mechanism in place to handle the situation. However, this is not always the case in business today. The system may not function as intended. These factors may well determine an undesired or unexpected outcome for a given situation.

Thinking beyond the immediate outcome

To solve an actual ethical dilemma, more information than that at hand is often needed. Perhaps encouraging students to look beyond the surface information is a good thing. Encouraging brain storming to identify alternatives and to weigh the impact of each alternative is also a good thing. Students need to realize that every choice may lead to outcomes beyond the obvious. Long-term thinking should be encouraged.

One student in an MBA course stated during a discussion of an ethical situation, “She should begin the search for a new job. If she is ignored, she will have to move on and if she is listened to, she will be looked on as a troublemaker. Besides, she won’t want to stay at a company where things like this happen. If there is one instance, there will be others.” Unfortunately, that student and others had examples of this being the case. The point they were unconsciously making is that the company culture really dictates the outcome—not the rules. It is the atmosphere in a company that is encountered on a daily basis that really determines employee action—and satisfaction—in the final analysis. The question isn’t whether or not to blow the whistle, but what will happen to the whistle blower after the whistle has been blown.

Embedding ethics in every course

Ethics issues permeate every business topic in the college curriculum. Therefore, ethics should intentionally, carefully, and obviously, be embedded in every course. Embedding ethics intentionally in every accounting course may best be accomplished through the use of cases. Three tactics should be taken. **First**, the cases should be short so that they can be used within a course without demanding an inordinate amount of time for the discussion. The courses already have more material to cover than can be done in any depth. **Second**, the cases should give the facts and ask students to give a decision plus the reasoning or assumptions behind the decision made. Then additional information should be given that may or may not change the decision, but will definitely stimulate deeper thought. **Third**, the cases should address minor day-to-day occurrences in business to instill in students the importance of ethical considerations in everything they do.

Including cases such as these within the texts, will encourage critical thinking about situations in which students might find themselves. This will also instill in students the importance of realizing that they may not have **ALL** of the related information for a given situation. Students need to realize that they should have as much information as possible before drawing any conclusions. The teaching notes to the cases should also include some potential long-term outcomes that result from the current decision. Students are short-term thinkers and need to be nudged into considering the ripple effects of the action(s) taken in a given situation.

One case that I use in my accounting course deals with a CPA firm that had an accounting student work part time for them during tax season. At the end of tax season, they told her thanks, that they liked her work, but that there wasn't enough work to keep her on during the summer and fall. They didn't promise her work for the next spring, but said that they might have something for her. In truth, they wanted her to be available, but didn't want to make promises in case someone with talents and personality more suited to their needs came along. Was it ethical for the company not to be up front with her? Once students express their opinions, I inform them that the student rather than get just any job in the interim, was able to secure an internship with a private company. She ended up getting a full-time position with that organization upon graduation. The student hadn't been entirely comfortable with the culture at the CPA firm but would have stayed with them if they had kept her on after that first tax season. Would that have been ethical? This encourages long-term thinking and makes them think about taking a job just because it has been offered.

Real-life cases like these do more than encourage students to think about ethics. They make the student see that these things could easily happen to them. Shouldn't that be what we do as college instructors preparing individuals to take their places in the business world?

UPPER DIVISION ACCOUNTING ETHICS ASSIGNMENT

G. R. Cluskey, Jr., Troy University-Dothan

If recent history is correct, accounting majors need ethics training. Ethics training should be prevalent throughout the accounting curriculum. Due in part to the rapidly growing regulatory requirements, accounting courses grow with the added materials students “need” each semester. Consequently, limited opportunity exists to integrate business ethics training along with the accreditation-imposed requirements (diversity, globalization, teamwork, oral and written communication, etc.). One approach to ethics training in upper division and graduate accounting courses is to assign a case from the External Reporting or Internal Reporting sections of *Cases in Accounting Ethics & Professionalism* depending on the course – financial or managerial – respectively. This assignment satisfies the ethics and written communication requirement of the accreditation matrix. The first class period students are informed of the three objectives for the assignment: (1) to be aware of ethical dilemmas, (2) to improve written communication skills, and (3) to follow directions. The class then proceeds through the following five step process.

Step 1: Class Discussion.

The first assignment is to bring to class a definition of “Ethics” and to have reviewed both the AICPA Code of Conduct and the IMA Statement of Ethical Professional Practice. Discussion ensues as we explore the professional ethics standards of other business majors and relate those standards to the ethical reasoning methods of Utilitarian, Theory of Rights, and Theory of Justice. At the end of the discussion, an eight step process for solving an ethical dilemma is distributed along with the eight requirements for the assigned ethics case paper.

Step 2: Requirements.

1. *Background Summary* (.5 pages): Provide narrative facts related to the ethical dilemma; Paraphrase without plagiarizing.
2. *Identify the Ethical Dilemma (ED)* (.5 pages): Identify the core problem of the case and why it is the core problem; Use logic, be clear; Discuss the cause of the problem in the case.
3. *Identify the Stakeholders* (.5 pages): Define, List, & Present ONE Global statement as to why ALL selections are stakeholders. (Hint) The Universe of Stakeholders is: Employees, Creditors, Stockholders, Suppliers, Customers, & Regulators.
4. *State Three Alternative Solutions to ED* (1 page): Three paragraphs, one for each ethical reasoning method (Utilitarian, Theory of Rights, Theory of Justice); Sentence one will define an ethical reasoning method; Sentence two will provide an alternative solution to the ED for that ethical reasoning method; Each of the three alternative solutions will be different.
5. *Present the Solution* (1 page): Solution is an action NOT a goal--something to correct or prevent the ED. Discuss both sides of the ED.
6. *Support Solution IMA* (.75 pages): Use two IMA standards of ethical conduct, one paragraph each; Sentence one should state, or define the IMA standard; Sentence two should re-state the solution & link it to the IMA standard quoted.
7. *Support Solution Practice* (.75 page): Support your solution using (1) a quote from one journal article (a journal article has an author) in an accounting journal (*Journal of Accountancy*, *Management Accounting*, *Strategic Finance*, *CPA Journal*, or any AAA Journal); and (2) a quote from one FASB or AICPA pronouncement. Include citations. As in #6 above use one paragraph

for each support; Sentence one is your quote and citation; Sentence two links the solution to the quote.

8. *Reference* (.5 pages): Use AAA manuscript style for citation and reference. Provided online in .PDF format are: (1) selected sections of AAA manuscript style; (2) IMA Statement of Ethical Professional Practice; and (3) two examples of quality papers from another case.

Step 3: Review.

Within the first four weeks of the term a final draft is due, along with copies of the solution support - the journal article and AICPA pronouncement. The papers are collected and stored in my office until the students come for a review. During my office hours, on a first-come, first-served basis, the students bring their eight requirements and the two good example papers for a line-by-line review of their draft paper. The review is of their accomplishment of the requirements; not their writing unless it is below average. Students are responsible for proof reading their papers. The final paper for score is due the 8th week of the term. The sooner the student completes the review the more time he/she has to work on the revision. While the review consumes office hours, students realize the importance of the assignment and appreciate faculty help improving their written communication skills.

Step 4: In class progress.

Each week at the beginning of class, questions are solicited from students about the case and the paper. If students don't ask questions, then they are asked about the ethical dilemma. This ensures that by the first deadline (4th week; final draft) students understand the ethical dilemma. Then the two most difficult tasks: (1) three different alternative solutions (accounting majors just can't climb out of the Theory of Justice/GAAP box) and (2) how to support their solution without stating "This quote supports my solution." are addressed.

Step 5: Evaluation.

Papers are scored based on content (50%), communication (25%), and writing mechanics (25%). Papers are scored in two steps. Step one is reading and marking all the papers at one time. Step two is scoring all the papers consistently again at one time.

The ethics case provides an added dimension to the accounting course materials in financial or managerial accounting and reinforces the concept of internal controls. The students are provided needed reference materials except for the journal article and AICPA pronouncement that support their solution. This student research is similar to that used in the CPA Exam. The written material reviewed individually with the professor essentially eliminates plagiarism and incomplete or substandard work caused by lack of effort. The writing requirements are those formats used by federal and state auditors in writing reports. Thus students will have writing skills transferable to their positions after graduation.

This assignment benefits the department by meeting two accreditation interest items - ethics and written communication skills. The students become aware of and develop an ethical dilemma resolution process along with writing skills transferable to many accounting positions. Additionally, students are exposed to researching the AICPA pronouncements as is required on the CPA Exam.

TEACHING ETHICS CASES IN AN AUDITING CLASS

Srinivasan Ragothaman, University of South Dakota

Arthur Andersen worked with several universities during 1987 through 1994 and funded a \$5 million dollar ethics project. A key goal of this project was to increase the awareness of ethical issues in business. Andersen personnel did not write these mini-case studies. These mini-cases were developed by university faculty members, with funding from Andersen. This project resulted in the development of 25 accounting mini-cases related to ethics. Another 65 mini-case studies related to finance (9), management (19) and marketing (32) were also developed as a result of the project. These cases are available for classroom use from Tepper School of Business at the Carnegie Mellon University (web: <http://ba.gsia.cmu.edu/ethics/AA/arthurandersen.htm>) with appropriate permission.

I have used several of the accounting mini-cases regularly in my two auditing classes over the years. Some of the auditing topics covered include: client confidentiality, client acceptance, internal control, segregation of duties, misrepresentation of fact, violations of internal control, materiality, and others. Several auditing, financial, and management accounting topics are covered in these case studies. Not only auditing instructors but financial and managerial accounting teachers can also use some of these mini-cases. Some of the financial topics covered include: asset valuations, write-downs, revenue recognition, accounting for leases, and others. Some of the managerial topics covered include: variance reporting, budgeting, forecasting, residual income, ROI, capital budgeting, standard setting, and others. In all of these mini-cases, ethical dilemmas are integrated with these specific accounting topics.

The learning objectives of these mini-cases are as follows:

- Resolving ethical dilemmas in accounting settings
- Written communications
- Team work and cooperative learning
- Group dynamics
- Unstructured problem solving and critical thinking

These mini-cases are approximately one page long. They describe interesting ethical situations and I ask my students to answer the following six questions: 1) What are the relevant facts? 2) What are the key ethical issues that you can discern from facts? 3) Who (group) is affected and how is each person or group affected? 4) What are the available alternatives? 5) What are the consequences of each alternative? 6) What is the appropriate action? (Questions adapted from: Arens, A., R.J. Elder, and M. Beasley, “*Auditing and Assurance Services: An Integrated Approach*,” 11th edition, Prentice Hall, 2005, pp. 76-78.)

Typically, students are required to answer these six questions in writing and the answers can not exceed two single-spaced pages. While I have always required written answers, these cases can be easily used in a classroom discussion. Oral discussion with only 15 minutes to think about the issues can be interesting and would present an opportunity for students to think on their feet. I have assigned these mini-cases as group projects during some semesters and assigned them as individual student projects during other semesters.

I have always given them a week to think about the issues and come up with their answers for the six questions mentioned above. The official answers to question #3 above provided by the authors of the mini-cases typically list four or five persons or groups as the affected parties. For example, in a mini-case related to violations of internal control titled “Whatever Happened to All Those Credit Slips,” the official answer lists the following 6 *affected* parties: the company, VP of finance, the controller, the auditor, the CPA firm and the IRS. My students teams (when all answers are added up) came up with a list of 12 affected parties: the 6 parties mentioned above, the president of the company, other employees of the company, future shareholders and bondholders of the company, creditors and lenders, customers, and future auditors. Similarly, while the official answer lists six alternative courses of action that are available to the auditor in this mini-case who faces the ethical dilemma, my students came up with nine alternative courses of action. Individual students or student teams typically come up with 5 or 6 or 7 names for affected parties. Once the complete list is divulged in class, they realize that they have not thought about some of the other parties that could be affected by the decision taken. This drives home the point that an individual’s actions while resolving ethical issues can have far reaching effects on several parties or groups. The instructor can ask the students to evaluate alternative actions from various perspectives such as: the Utilitarian approach; the Justice approach; the Rights approach, or the Common Good approach.

LESSONS THAT HIT CLOSE TO HOME: TEACHING ETHICS WITH REAL IMPACT

Craig Reeder, Florida A&M University

To make a lesson sink in, it has to hit close to home – students must perceive a personal connection to the case being discussed. In one of my ethics lessons, I want students to think deeply and analytically about what is ethical and what is not. I want them to see that sometimes your first impression can lead to the wrong conclusion. My main objective, however, is not to simply tell them what the right answer is, but to make them think about the question, and make them explore that broad grey area that so many ethical issues actually occupy in real life.

I teach accounting at Florida A&M University in Tallahassee, Florida. My students are first and second year business students, along with a handful of non-business majors. They are young, incredibly optimistic, and idealistic. But they are not yet savvy about the real world, and confronting ethical issues is something they will have to deal with when they enter their professions. So I know that teaching business ethics is vital to prepare them for the future.

For this lesson, I describe the following scenario to the class: Let’s say a business executive is getting very close to the end of the fiscal year. He is getting very nervous because it appears he will fall just short of his net income target for the year. If so, this could adversely affect the company’s share prices, managers’ incentive bonuses, and other aspects of the business. In the last week of the year, he sends out an order to halt all expenditures, cancel all orders for goods and services including plant maintenance, employee travel, and other spending items, excluding only those items that would affect safety and environmental necessities. He knows that he will have to boost spending considerably in the first month of the coming fiscal

year, possibly incur some late payment penalties, and absorb other costs for the extreme action he is taking. Nevertheless, he proceeds with the plan, and when the year ends, he reaches his profit target, just by a hair.

Then I pose the question: are the manager's actions ethical? I get a wide variety of responses, but most students describe the manager's actions as manipulating earnings, and conclude that such actions are unethical. I let this idea sink in a while, and then I read to them an article from our local newspaper. It concerns the president of our University who was facing serious budget problems at the end of the fiscal year. In abbreviated version, it reads as follows:

Citing a desire to end the fiscal year without a deficit, Florida A&M University Interim President Castell Bryant issued a moratorium on spending. The ban applies to "all expenditures...regardless of the source of funds." Specific spending areas she listed included grant spending, construction and plant operations/maintenance, travel, and cell-phone use.

Several trustees lauded Bryant's action. "I strongly support the president's decision" said the Rev. R. B. Holmes Jr. "She will have to get control of this fiscal house, and I think this is a good short-term solution..."

The situation of our University's fiscal problems had been prominently discussed in the news media at the time, and our President was generally praised for taking strong action. The positive results that came from her actions were a source of pride for the community and for the students at the time. At this point in the discussion, the issue takes on a completely different light. We start to distinguish between what might be considered "manipulating earnings," and what could be looked at as simply prudent business management. Eventually we get to the heart of the discussion: how do you define what is ethical and what is not? It is generally agreed that if transactions are deliberately misrepresented, that is unethical. And if a person uses his or her business position to unfairly benefit himself at the expense of the company, that is unethical. It boils down to a simple common sense equation: lying and stealing are wrong.

In the course of the discussion, we also confront the uncomfortable truth of the real world: that there are grey areas in ethical issues that defy clear definition of right and wrong. For example, what about the motivation of a manager? If he takes action to secure a large performance bonus, does that change the ethical consideration? If his actions allow the company to meet profit targets, but have other deleterious effects on the business, such as damaging relationships with suppliers and customers, does that change things? Are management actions justifiable as long as the manager does not violate any laws? What about breaking, or even just "bending" the rules of Generally Accepted Accounting Principles?

The conclusion of the discussion comes to this: in some cases where there is deliberately dishonest behavior, a clear ethical judgment can be made. In other instances, it is more difficult to define ethical behavior. And as students enter the working world and begin to encounter these situations, they will have to draw on their own inner values to decide how they will act when confronted with challenges of this kind. Making students think about these questions as soon as possible can only help to prepare them. And using cases that hit close to home really helps to personalize the issues and create truly effective learning opportunities.

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