ACCOUNTING ETHICS AND THE PURPOSE OF A CODE

John M. Thornton, PhD, CPA
L.P. and Bobbi Leung Chair of Accounting Ethics
LP and Timothy Leung School of Accounting
THE PURPOSE OF ACCOUNTING

To measure the truth
THE PURPOSE OF ACCOUNTING ETHICS

To get accountants to do the right thing. Period.
WHAT IS THE “RIGHT THING”? 
Where did you get your ethics?
CAN ETHICS BE TAUGHT?

Yes. I teach them.

Can they be learned?
WHEN DID YOU GET YOUR ETHICS?

WHERE DID YOU GET YOUR ETHICS?
WHAT IS YOUR DOMINANT ETHIC?
The Philosophies

- Cultural Relativism
- Ethical Subjectivism
- Divine Command Theory
- Natural Law Theory
- Psychological Egoism
- Ethical Egoism
- Utilitarianism
- Deontology
- Social Contract Theory
WHAT SHOULD WE TEACH?

Ask the Experts

The Hasting Report:
Indoctrination is bad
Tolerance is good
IS INDOCTRINATION BAD?

What is Indoctrination? Definition:

Definition 1: Indoctrination
To instruct in a body of doctrine
Doctrine: An organized body of philosophical or theological thought

Definition 2: Indoctrination
To teach to accept a system of thought uncritically; to “brain-wash.”

What Really Matters? Doctrine over pedagogy
IS TOLERANCE GOOD?

It depends on what is being tolerated. If the position is morally neutral, then tolerate. If the position is morally wrong, than do not.
THE VALUE OF A CODE

It articulates your values.

Positive Rendition

Negative Rendition
WHAT DOES EVERY CODE HAVE IN COMMON?

Character
Competence
Public Service
THE AICPA’S UNIQUE PRINCIPLE

Objectivity and Independence

Statistics Analogy

Objective: Freedom from bias
HOW TO OWN THE CODE

Be Holistic:
Connect your philosophy to the Code
  Right Action = Principle*Code
Example: Fraud Triangle
The Fraud Triangle
The Accidental Fraudster

- Incentive/pressure
  - Unsharable financial need
  - Presumably self-serving
  - Generally unobservable

- Perceived Opportunity
  - Little fear of getting caught
  - Violates a position of trust

- Rationalization
  - Morally defensible rationalization
  - Generally unobservable
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Membership is a choice