



Case Studies and Other Resources to Teach Contemporary Accounting Issues

weARE Webinar Series

April 22, 2022



The Ethical Compass

A toolkit for integrity in business

- 1) **Case Studies**
- 2) **Advanced Case Studies**
- 3) **Sox Challenge**
- 4) **Role Plays**
- 5) **Code Challenge**
- 6) **Burden of Proof**
- 7) **Risks and Perception**
- 8) **ESG Externalities and True Value**



KPMG University Connection site

Find and download
the materials here:

Register or log in at www.kpmguniversityconnection.com

Topics include: Audit • Tax • Financial Accounting • Corporate Governance • Professional Judgment • IFRS • Sustainability • Ethics



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The Ethical Compass

A toolkit for integrity in business

1) Case Studies

2) Advanced Case Studies

3) Sox Challenge

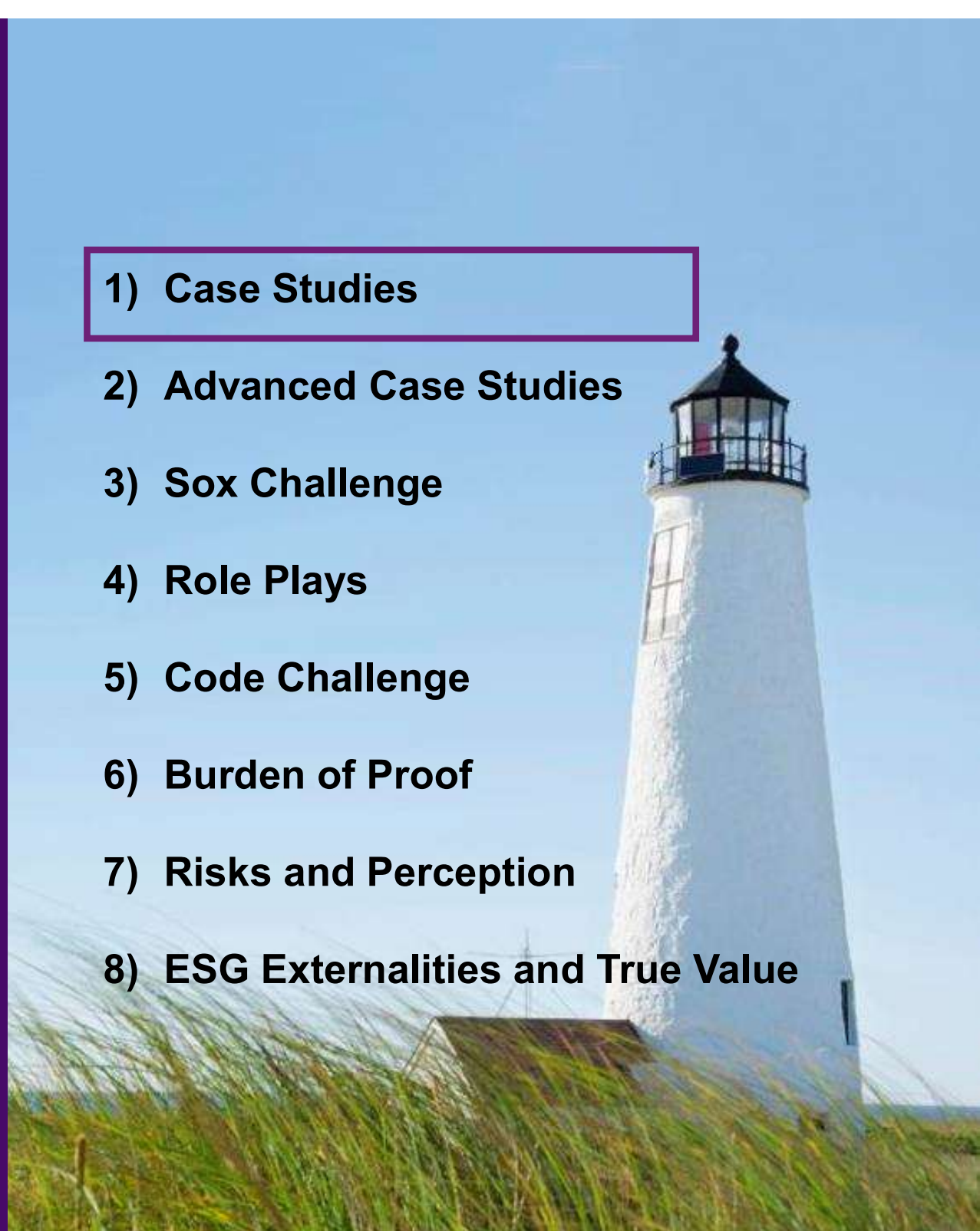
4) Role Plays

5) Code Challenge

6) Burden of Proof

7) Risks and Perception

8) ESG Externalities and True Value





The Ethical Compass

A toolkit for integrity in business

Case studies

www.kpmguniversityconnection.com



Case study description

The cases are:

- A series of ethical dilemmas**
- Designed to help you recognize ethical issues**
- Accompanied by a framework for ethical decision making.**

Objectives of case study activity

These case studies will help you:

- Recognize common situations that may compromise ethical behavior
- Identify an ethical dilemma
- Understand and employ a system of ethical decision making
- Respond to ethical conflicts by using a system of ethical decision making
- Cultivate team-building skills.



What is in the Case Studies Toolkit for Faculty and Students?

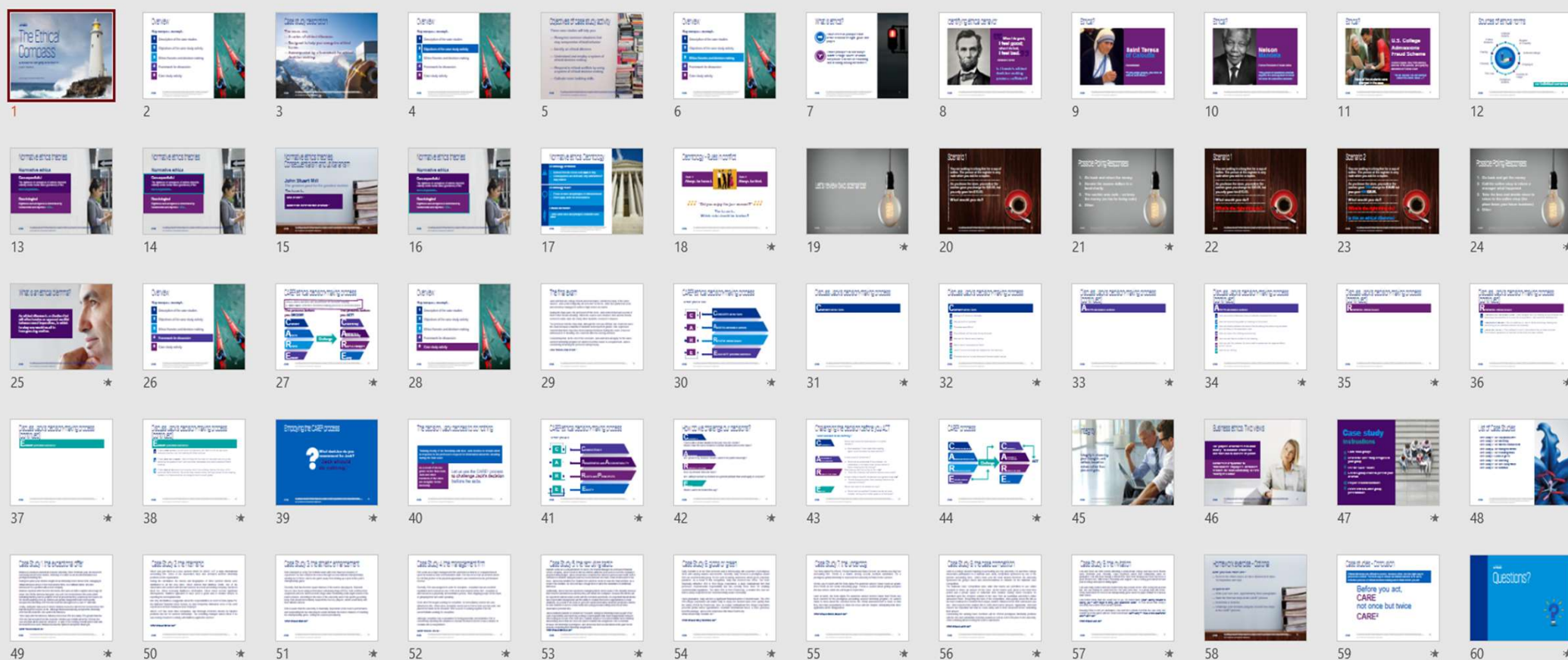
- Leader's Guide (LG)
- PowerPoint Slides with Teaching Notes
- Student Handout (HO)
- Case Studies Overview Handout
- Case Study Handout



Leader's Guide: Teaching Guide Outline

Description of Section	Time
Case Studies Presentation	45 minutes
Example Case Study Activity	60 minutes
Case Studies Group Activity	30 minutes
Optional Homework Assignment	5 minutes
Total time	140 minutes

Presentation and Activity Slides



Let's take a look at some sample slides introducing ethics ...

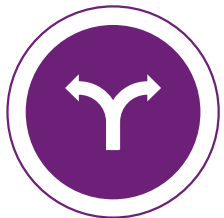


Source: The time has come | The KPMG International Survey of Sustainability Reporting 2020

What is ethics?



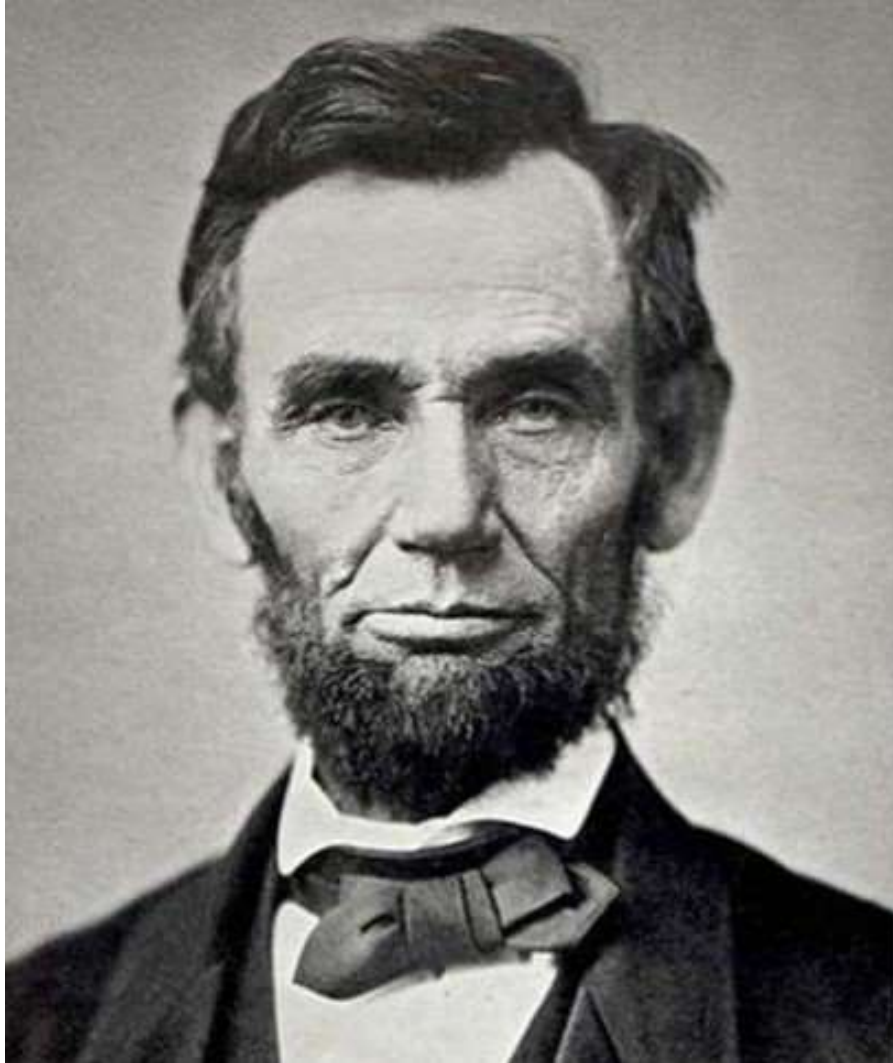
Ethics refers to principles that define behavior as right, good, and proper.



Ethics principles do not always dictate a single course of action but provide a means of evaluating and deciding among alternatives.



Identifying ethical behavior



**“ When I do good,
I feel good;
when I do bad,
I feel bad.”**

Abraham Lincoln

**Is Lincoln’s ethical
decision-making
process sufficient?**

Ethical?

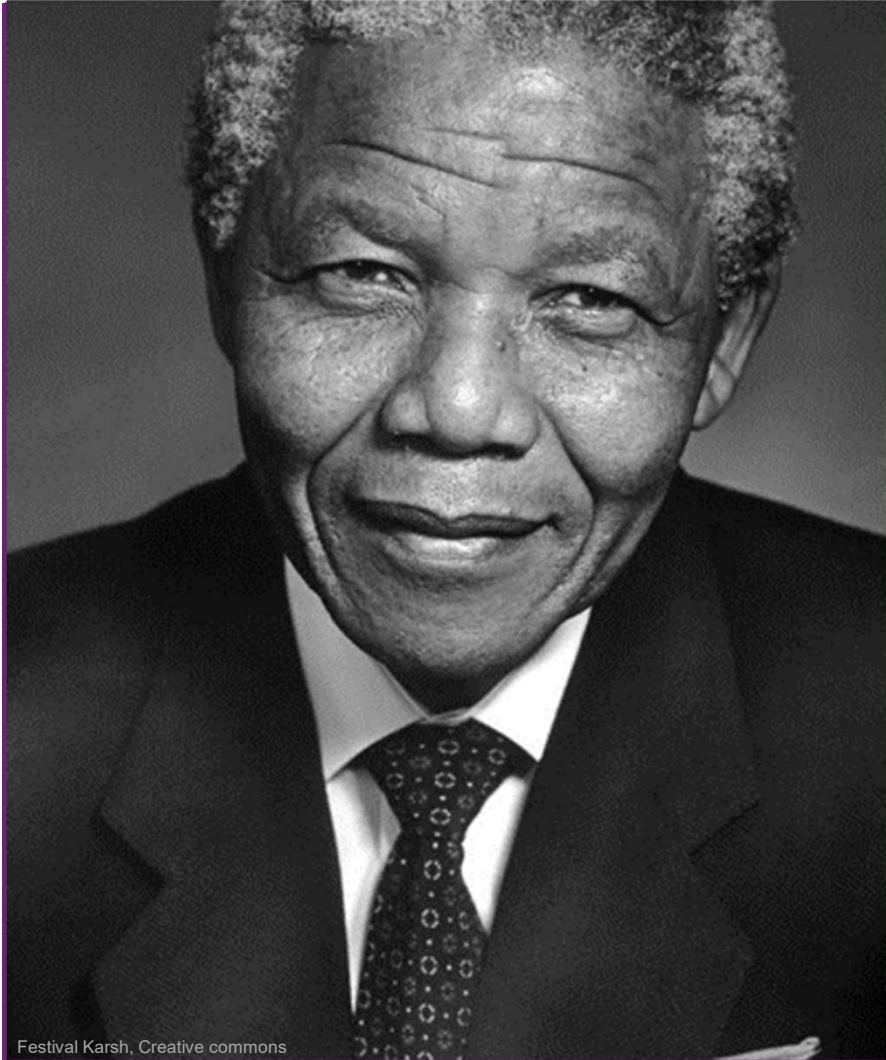


Saint Teresa of Calcutta

Humanitarian

“If you judge people, you have no time to love them...”

Ethical?



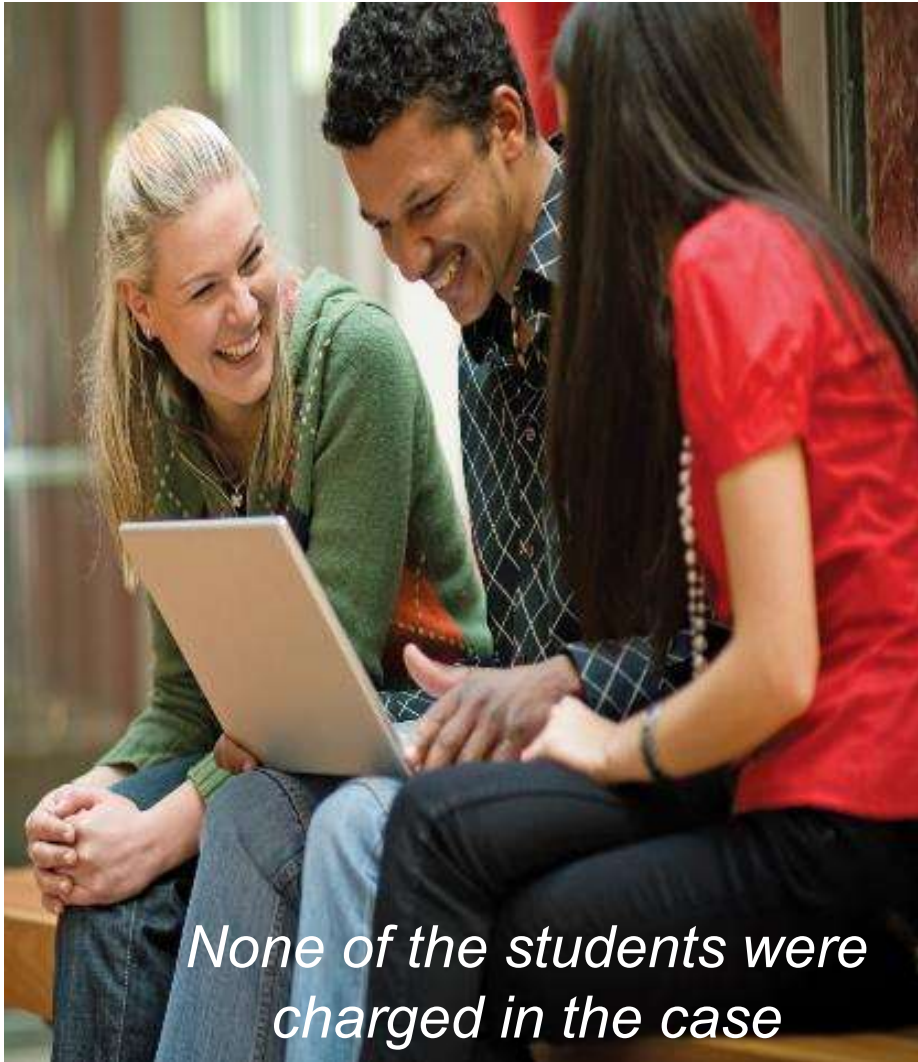
Festival Karsh, Creative commons

Nelson Mandela

Former President of South Africa

“The power of education extends beyond the development of skills we need for economic success.”

Ethical?



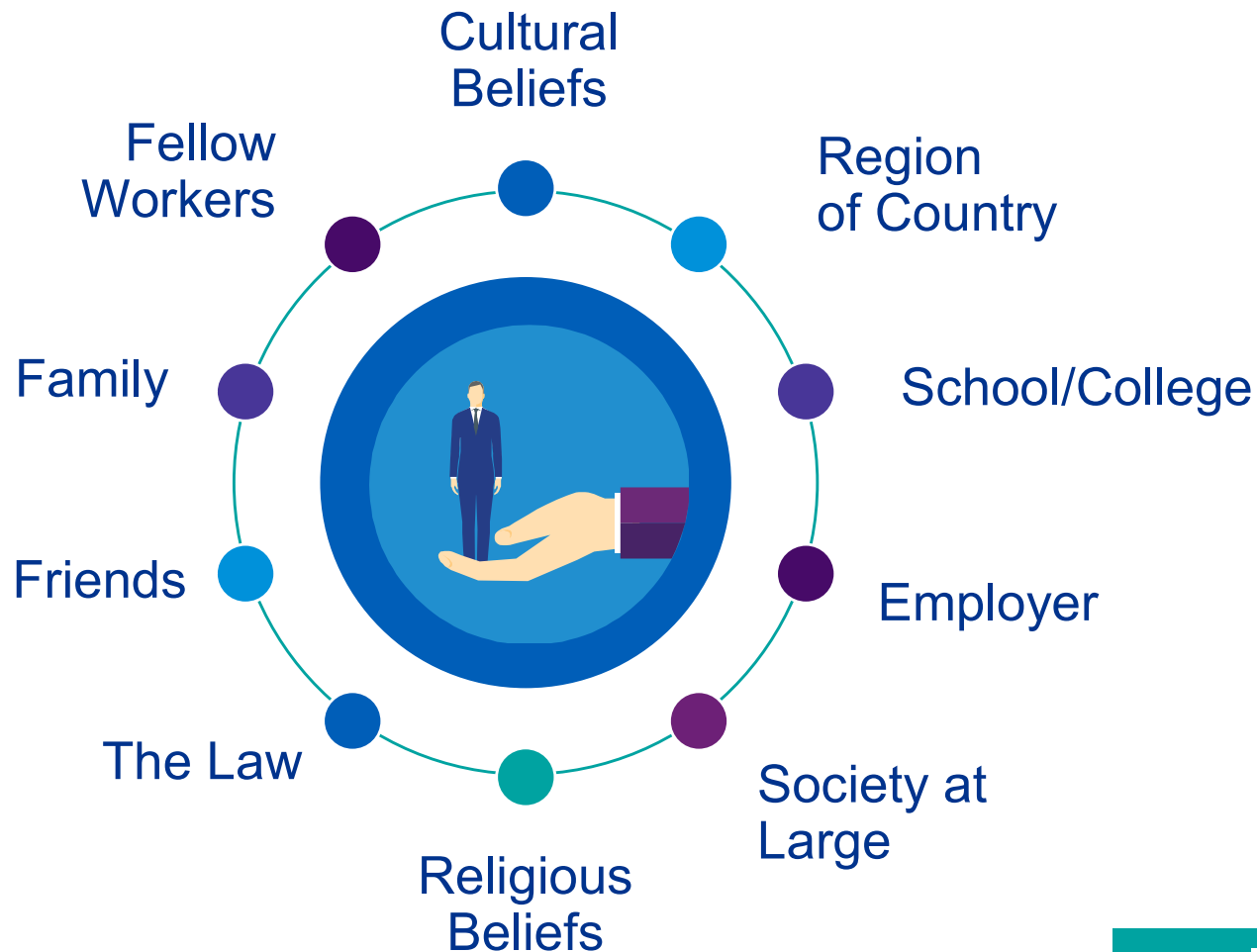
None of the students were charged in the case

U.S. College Admissions Fraud Scheme

Gordon Caplan, New York attorney and one of the parents, pled guilty by allocution in Federal Court

"To be honest, I'm not worried about the moral issue ..."

Sources of ethical norms



The Individual Conscience

Normative ethics theories

Normative ethics

Consequentialist

The rightness or wrongness of actions depends entirely on the moral value (goodness) of the **consequences**.

Deontological

Rightness and wrongness is determined by fundamental and objective **rules**.



Normative ethics theories

Normative ethics

Consequentialist

The rightness or wrongness of actions depends entirely on the moral value (goodness) of the **consequences**.

Deontological

Rightness and wrongness is determined by fundamental and objective **rules**.



Normative ethics theories: Consequentialism and utilitarianism

John Stuart Mill

The greatest good for the greatest number

The issue is:

Who decides?

What is the basis for this decision?



Normative ethics theories

Normative ethics

Consequentialist

The rightness or wrongness of actions depends entirely on the moral value (goodness) of the **consequences**.

Deontological

Rightness and wrongness is determined by fundamental and objective **rules**.



Normative ethics: Deontology

Deontology definition

- Derived from the Greek word *deon* or duty.
- Consequences are irrelevant; only satisfaction of duty matters

Deontology focus

- Focus on rules and principles of ethical behavior
- Rules apply under all circumstances.

Ethical dilemmas

- Arise when rules and principles contradict each other



Deontology – Rules in conflict

Rule 1:
Always be honest.



Rule 2:
Always be kind.

🎵🎵🎵 “Did you enjoy the jazz concert?” 🎵🎵🎵

**The issue is:
Which rule should be broken?**

Let's review two scenarios!



Scenario 1

You are waiting in a long line for a cup of coffee. The person at the register is very rude when you ask for a napkin.

As you leave the store, you realize the cashier gave you change for \$20.00, but you only gave him \$10.00.

What would you do?



Possible Polling Responses

1. Go back and return the money
2. Donate the excess dollars to a local charity
3. The cashier was rude – so keep the money (as tax for being rude)
4. Other



Scenario 1

You are waiting in a long line for a cup of coffee. The person at the register is very rude when you ask for a napkin.

As you leave the store, you realize the cashier gave you change for \$20.00, but you only gave him \$10.00.

What would you do?

What is the right thing do?



Scenario 2

You are waiting in a long line for a cup of coffee. The person at the register is very rude when you ask for a napkin.

As you leave the store, you realize the cashier gave **YOU** change for \$10.00 but you gave **HIM** \$20.00.

What would you do?

What is the right thing do?

Is this an ethical dilemma?



Possible Polling Responses

1. Go back and get the money
2. Call the coffee shop to inform a manager what happened
3. Take the loss and decide never to return to the coffee shop (the place loses your future business)
4. Other



What is an ethical dilemma?

An ethical dilemma is a situation that will often involve an apparent conflict between moral imperatives, in which to obey one would result in transgressing another.

Let's take a look at the framework...

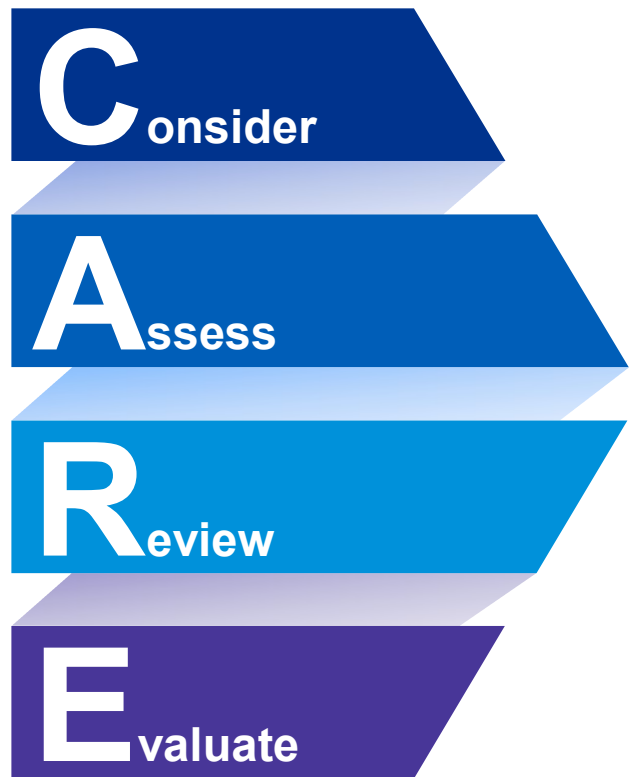


Source: The time has come | The KPMG International Survey of Sustainability Reporting 2020

CARE² ethical decision-making process

When ethics theories are insufficient for decision making,
a **TWO PART** reflective decision-making process is recommended.

**The process before
you DECIDE!**



Challenge

**The process before
you ACT!**



The final exam

Jack and Ned are college friends and roommates, enrolled in many of the same classes. Jack worked diligently all semester for his Bs, while Ned partied all week and somehow managed to achieve high scores on exams.

During the final exam, the professor left the room. Jack noticed Ned and several of Ned's other friends cheating. When the exams were returned, Ned and his friends scored A's while Jack, like many other students, received C minuses.

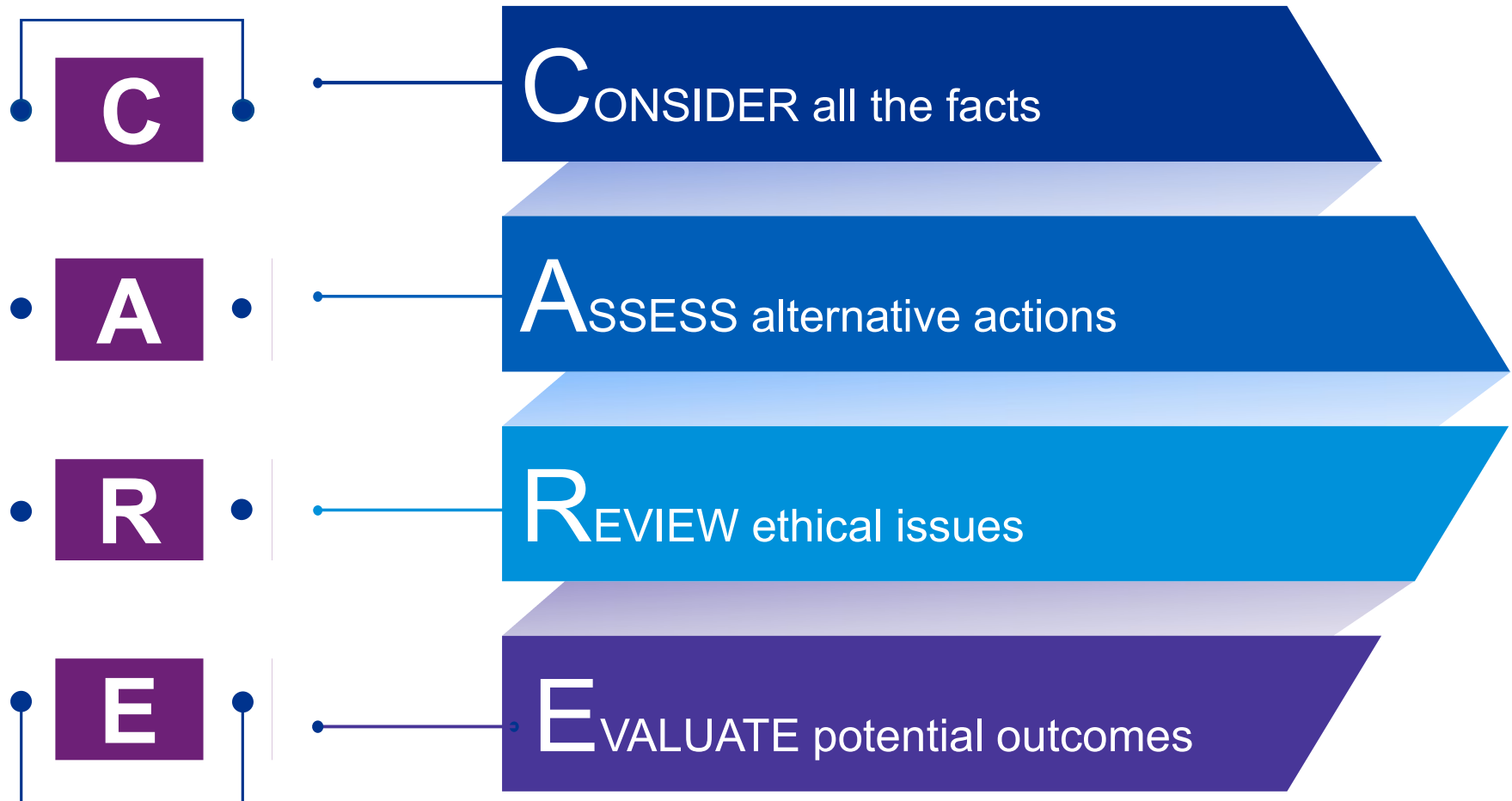
The professor told the class that, although the test was difficult, she could not curve the exam because a handful of students scored perfect grades. She expressed concern that there may have been improper behavior during the exam. However, without proof of cheating, she could not alter her curving decision.

Considering that, at the end of the semester, Jack and Ned will apply for the same summer internship program for which a B in this course is a requirement, Jack is considering informing the professor anonymously.

How should Jack decide?

CARE² ethical decision-making process

Before you **DECIDE**...



Discuss Jack's decision-making process

Consider all the facts

Discuss Jack's decision-making process

Consider all the facts

- 1 Jack got a C minus on the exam.
- 2 Ned got an A on the exam.
- 3 The exam was difficult.
- 4 The professor left the room during the exam.
- 5 Ned and his friends were cheating.
- 6 Ned is Jack's roommate and friend.
- 7 Jack's C minus will make him ineligible for the internship.
- 8 The exam was not curved because of several perfect scores.

Discuss Jack's decision-making process (continued)

Assess alternative actions:

Discuss Jack's decision-making process (continued)

Assess alternative actions:

- 1 Jack can confront Ned about how his behavior impacted the curve.
- 2 Jack can improve his grades by cheating on future tests.
- 3 Jack can directly address the issue of faculty leaving the room during an exam with the Dean or the department chair.
- 4 Jack can report the cheating anonymously.
- 5 Jack can ask Ned to confess to the cheating.
- 6 Jack can ask the professor for extra credit to ameliorate the negative effects of his C minus.
- 7 Jack can do nothing.

Discuss Jack's decision-making process (continued)

Rreview the ethical issues:

Discuss Jack's decision-making process (continued)

Rreview the ethical issues:

- 1 Friends do not betray each other** – Ned betrayed Jack by cheating during the exam and eliminating the possibility of a curve. By turning Ned in, Jack would be betraying him.
- 2 Passive endorsement** – By not speaking up, Jack is tacitly endorsing cheating and contributing to an unethical culture at his university.
- 3 The social contract** – The professor's trust in the students has not been honored. The students' agreement to treat each other fairly has been violated.

Discuss Jack's decision-making process (continued)

Evaluate potential outcomes:

Discuss Jack's decision-making process (continued)

Evaluate potential outcomes:

- 1** If **Jack does nothing**, he will honor his friendship with Ned but will not secure an internship position, and the cheating will likely continue.
- 2** If **Jack tells the professor**, Ned will likely fail the class but the exam may be curved, improving the grades of both Jack and other classmates who were unaware of Ned's cheating.
- 3** If **Jack tells superiors** at the university about the professor leaving the room, which prompted Ned's behavior, the school may create a policy that may prevent future cheating incidents, but there would be no change to Jack's current grade.

Employing the CARE² process

 **What decision do you recommend for Jack?**
“Jack should do nothing.”

The decision: Jack decides to do nothing

Thinking mostly of his friendship with Ned, Jack decides to remain silent in response to his professor's request for information about the cheating during the final exam.

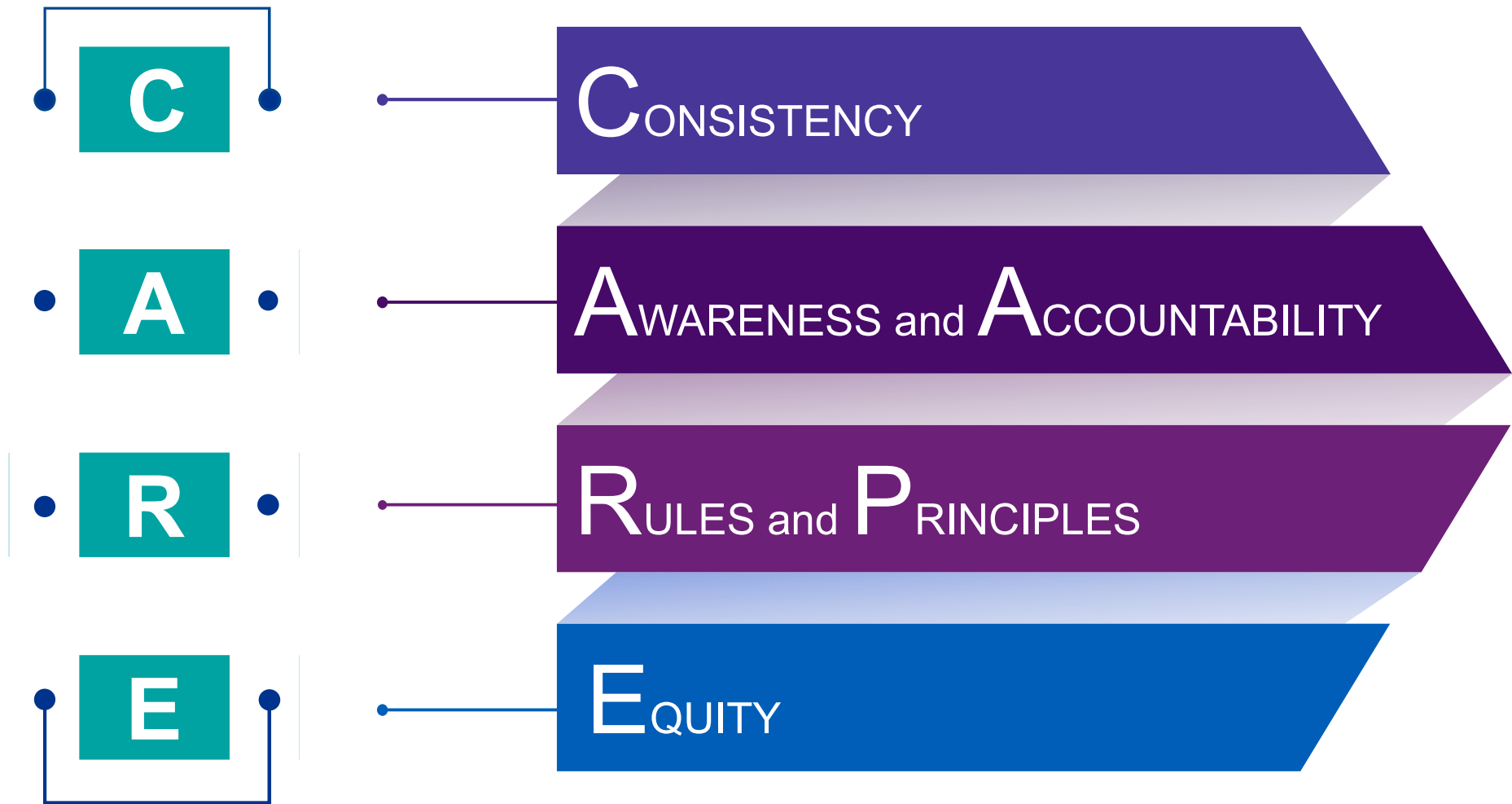


As a result of his low grade on the final exam, Jack and other members of the class are ineligible for the internship.

Let us use the CARE² process **to challenge Jack's decision** before he acts.

CARE² ethical decision-making process

Before you ACT...



How do we challenge our decisions?

Consistency

If faced with a similar situation in the past, how did I decide?
Would I make the same decision if a similar situation arises in the future?

Awareness

Am I proud of my decision? Would I want it to be public knowledge?

Rules and principles

Does my decision follow the rules?

Am I willing to accept my decision as a general principle that would apply to everyone?

Equity

Would I want to be treated this way?

Challenging the decision before you ACT

“Jack decides to do nothing.”

Consistency

Would Jack make the same decision in a similar situation?

- Next semester, if Jack sees Ned cheating again, would he make the same decision?

Awareness & accountability

Is Jack proud of his decision?

- Would he be comfortable if the professor, his classmates, or his family knew he was aware of Ned's cheating and did nothing?

Rules & principles

Was keeping silent according to the **rules**?

- Does the university Jack attends have an honor code?

Is Jack willing to live with his decision as a general **principle**?

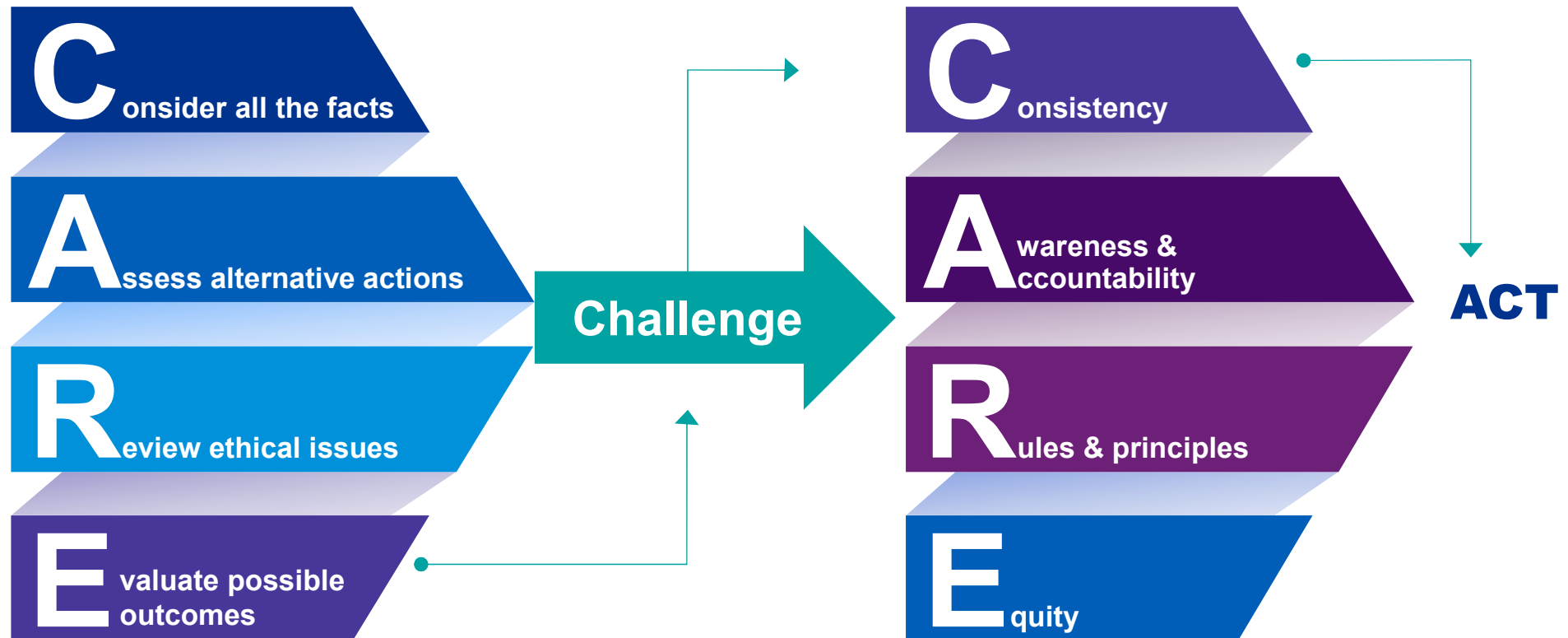
- Should everyone protect their cheating friends at the expense of others?

Equity

Would Jack want to be treated this way?

- Would Jack be satisfied if students he did not know cheated, costing him a better grade on a final exam?

CARE² process



Integrity

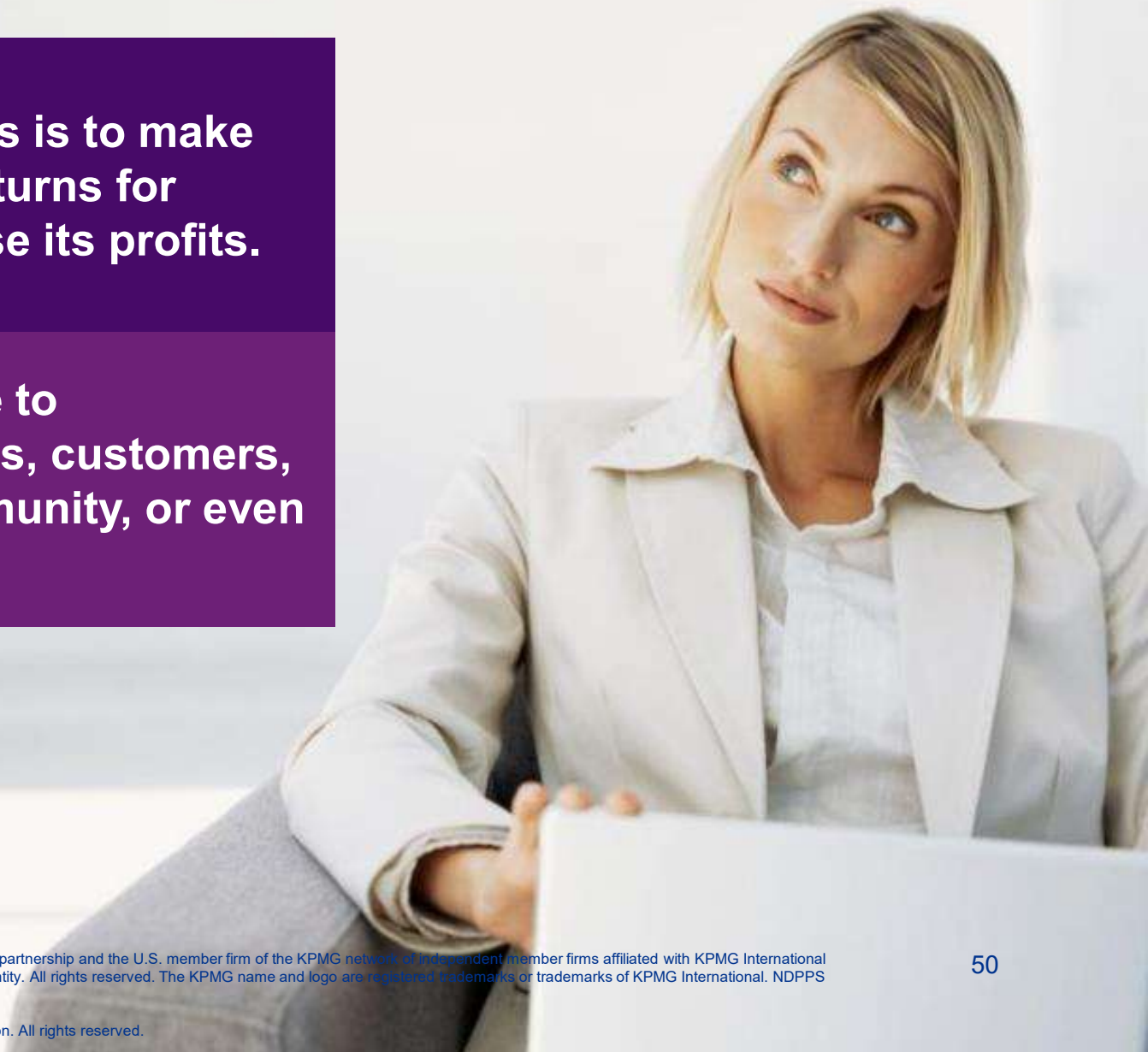
**Integrity is choosing
your thoughts and
actions based on
values rather than
personal gain.**



Business ethics: Two views

The purpose of business is to make money—to maximize returns for investors and to increase its profits.

Business is responsible to stakeholders: employees, customers, vendors, the local community, or even society as a whole.



Case study instructions

- Form small groups
- Review the case study assigned to your group
- Use the CARE² model
- Select a group leader to present your decision
- Prepare recommendations
- Please listen to other group presentations



List of Case Studies

Case Study 1: The exceptional offer

Case Study 2: The internship

Case Study 3: The athletic enhancement

Case Study 4: The management firm

Case Study 5: The recruiting tactic

Case Study 6: Global or green

Case Study 7: The underdog

Case Study 8: The case competition

Case Study 9: The invitation



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Case Study 1: the exceptional offer

Monica is a business student at a top-tier university. Since freshman year, she has been immersing herself in her studies, dreaming of a future as an investment banker at a prestigious banking firm.

During her junior year, Monica sought out an internship in her chosen field, managing to obtain interviews at two of her most desired firms. As a fallback option, she also interviewed for a position with a local company.

Monica's rejection letter from her first choice-firm came as both a surprise and a huge let down. She felt the interview had gone very well. Her second-choice firm sent a letter indicating that they had no position for her at present but they would keep her resume on file should anything come up. Monica was greatly disappointed and consequently accepted the internship offer from the local firm and agreed to a June 1st start date.

In May, during the final week of school, Monica received a call from her second choice firm that had kept her resume on file. Although Monica had already accepted the internship offer from the local firm, she went to the interview.

Three days after the interview, Monica received an offer at a salary 20% greater than the offer she had accepted from the local firm. Monica was ecstatic about the offer but she was uncertain about what she should do. In spite of her existing commitment to start with the local firm in a week, Monica now has the option to accept her dream job.

What should Monica do?

Case Study 2: the internship

Oliver was just hired as a new summer intern for ABCD, LLP, a large international accounting firm. Some of his classmates have also accepted summer internship positions in this organization.

During the orientation, the names and biographies of other summer interns were distributed to all the new hires. Oliver noticed that Matthew Smith, one of his classmates who worked with him last summer at a local accounting company, had been hired too. When reviewing Matthew's information, Oliver noted several significant discrepancies. Matthew appeared to have used a great deal of creative license in reporting his accomplishments.

Not only did Matthew exaggerate about the responsibilities he held for Beta Alpha Psi, the National Financial Honor Society, he had completely fabricated some of his work experiences at their mutual previous employer.

ABCD, LLP, like most other companies, has thorough reference checks for full-time positions but not for summer internships. The recruiting manager asked Oliver if he was looking forward to working with Matthew again this summer.

What should Oliver do?



Case Study 3: the athletic enhancement

Bob Champion is a Big Ten football coach with more than two decades of experience; he has coached his teams through several national championships, winning two of them, and is one game away from locking up a spot in this year's championship game.

Recently, Bob has become aware that two of the team's star players, Paul and Steven, have been using performance-enhancing drugs (PEDs). Bob confirmed his suspicions when he discovered the drugs while conducting a late-night search of the team's lockers. According to the rules of the university and of his sport's governing body, Bob should immediately suspend the two key players, which would likely ruin their athletic careers.

Bob is aware that the university is financially dependent on the team's performance and suspending his two star players would eliminate his team's chances of reaching the championship game, ending the season prematurely.

What should Bob do?

Case Study 4: the management firm

Eric works at a major management firm and believes that he is evaluated based upon his business and communication skills. Eric has never had an incident where he felt that gender or his physical appearance was considered in his performance reviews.

Recently, Eric was assigned to work for Josephine. Josephine has an excellent reputation and is known as one of the best team leaders at the firm. Josephine is also known as a physically demonstrative person, often clapping people on the back or grasping their arm while speaking.

Soon after Eric began working for Josephine, he immediately sensed she was attracted to him. Often when Josephine stood next to Eric to look over his work, she placed her hand on his shoulder. After a week of working together Eric felt uncomfortable working for Josephine.

Although Josephine has a reputation for being physically demonstrative Eric is considering reporting this situation to Human Resources before it has a chance to escalate into a real problem.

What should Eric do?



Case Study 5: the recruiting tactic

Danielle works as a well-paid intern for James, the Branch Manager at a renowned financial service company. James needs to hire two interns within the next week to meet the company's projected hiring budget. James should have completed the interview process last month, but he scheduled a vacation during the past two weeks and had not made a final decision prior to his leave. James has identified five finalists from which he needs to make the final selection. As a result of his deadline, he does not have enough time to call in the candidates for additional interviews.

Additionally, James has had experience managing interns and is aware of the disparity between their résumés and interviews and how they act outside the workplace. Because the interns will be expected to attend social events with firm members and clients, it is important that all interns have impeccable backgrounds and the ability to conduct themselves appropriately in social situations. As a result of his desire to get more candid information about the prospective interns, he asks Danielle to access social media sites using personal settings and look at fellow classmates' personal sites.

James instructs Danielle to conduct her "research" during her internship hours as part of her work responsibility and report any postings or photographs that depict inappropriate behavior. After looking at several of the Web sites, Danielle begins to feel uncomfortable and is thinking about telling James that she does not want to continue this assignment. She is reluctant because her internship is prestigious, and James has fired several interns in the past for not properly completing their internship assignments.

What should Danielle do?



Case Study 6: global or green

Sally Sensible is in her final semester and is interviewing with a number of prestigious firms with varying salaries and benefits. Recently, Sally received a prestigious award from an environmental group for her work in raising awareness about green corporate practices. As a result of this recognition, Sally has received two offers. The more financially attractive offer is from Mega Corporation, a large multinational firm that professes environmental responsibility but has recently been fined for violating environmental regulations. The other offer is from EnviroCorp, a smaller firm, but one that is widely respected in the environmentally aware community.

Upon graduation, Sally will face a significant financial burden of student loans. The offer from Mega Corporation will enable Sally to repay her student loans more quickly than the salary offered by EnviroCorp. Also, as a large multinational firm, Mega Corporation presents global career opportunities, desirable international travel, a more generous benefits package, and a more impressive title than EnviroCorp.

What should Sally Sensible do?

What should Sally Sensible do?

Case Study 7: the underdog

Two Beta Alpha Psi officers, Frieda Fabulist and Diane Decent, are interns at a Big four accounting firm. Frieda is a finalist, among several excellent candidates, for a prestigious global internship to represent her university in Paris for the summer.

On the way to lunch with the Beta Alpha Psi academic adviser, Diane reads an update from Frieda on her social networking page. Frieda is excited about getting accepted into law school, which she will begin in September.

Later at lunch, the Beta Alpha Psi academic adviser informs Diane that Frieda has been selected for the prestigious accounting summer internship program. He wanted Diane to know about the selection before the official announcement is made so that they can make preparations to share the news with the chapter, anticipating that other applicants will be disappointed.

What should Diane Decent do?



Case Study 8: the case competition

John is a college student majoring in accounting at a top university. He and three college classmates participated in a national case study competition sponsored by one of the premier accounting firms. John's team won the local division therefore his university sponsored his group's travel and accommodations to Orlando for the National Case Competition.

The National Case Competition rules state that teams are permitted to use online research to derive an answer for the Case. All the teams were given a two hour time period and a private space to deliberate their solution. During John's research, he stumbled upon the complete solution to the case from an Australian university's online discussion forum. Respecting the rules of the competition, John quickly closed the link as his team continued to construct their unique solution. Minutes before their submission was due, John reopened the solution link to verify their team's answers. Apparently, John had missed one important fact that he could easily add to their document before submitting their answer.

Considering the winning team members will be offered prestigious internship positions with the firm and substantial monetary awards as well as a \$10,000 prize to the university, John is thinking about revising the team's submission.

What should John do?



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Case Study 9: The invitation



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Case Study 9: the invitation

Lola and Rosie are both seniors attending a small private college and have been friends since freshman year. Recently, Lola's boyfriend ended their relationship when he graduated. Lola has been having a difficult time since their breakup but Rosie has been a good friend to her. With Rosie's friendship and support, Lola is feeling good about her last year in college and open to dating again.

Lola was really excited when she heard Henry has a crush on her. After seeing him at local bar, she was hoping he would text her. Her wish came true. In a group chat with Rosie, Henry invited them to come to his championship game where he plays football for a famous state school.

Lola texted Henry that she would love to go. He texted back *"great! looking forward to seeing you – don't forget to bring your vaccination cards!"* It's well known that Henry's university has a strict Covid vaccine mandate.

Knowing Rosie is not yet vaccinated, Lola sent her a private text that she was sorry she couldn't go to the game with her. Rosie texted back *"don't worry – I have a fake vaccination card – can't wait!"*

What should Lola do?



Homework exercise - Optional

Write your own ethics case:

- Refer to the ethics cases we have discussed in class for inspiration and style.

Requirements:

- Write your own case, approximately three paragraphs.
- State the first four steps in the CARE² process.
- Determine a decision.
- Challenge your decision using the second four steps in the CARE² process.



Case studies – Conclusion

Ethical dilemmas are difficult to resolve, because often, not one right way to proceed is evident. The best way to ensure an ethical outcome is to use a reflective process of ethical decision making and to think before you act.

Before you act,
CARE
not once but twice
CARE²



Questions?

Don't hesitate to contact:

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