**TEACHING ACCOUNTING ETHICS:**

**NOT AS EASY AS FOLLOWING THE TEXT**

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Ever since Enron and WorldCom entered the social discourse ten years ago, much has been written and discussed about business ethics, and this of course includes how to teach ethics to accountants. And quite frankly, the plethora of on-line ethics courses makes our skin crawl! And unfortunately, much of this ethics training has been targeted *to accounting students*. All too often it can best be characterized as vague, foundationless, uninspiring, and inconsequential.

We shall illustrate exactly what we mean by reviewing ethics instruction in a popular introductory accounting textbook. [*Accounting Tools for Business Decision Making* by Kimmel, Wegandt, and Kieso](http://www.amazon.com/Accounting-Paul-D-Kimmel/dp/0470377852/ref=la_B001IGQHG6_1_3?ie=UTF8&qid=1344439256&sr=1-3) (KWK) incorporates ethics and integrates its discussion throughout the book. The authors provide a model to help students address ethical “dilemmas.” Then, each chapter includes one or more “feature stories” that touch on accounting ethics, some “business insight boxes” that focus on ethical situations in real business settings, and an “ethics case” for students to apply the ethics decision model.

The text’s overly simplistic ethics decision model has only three steps. First, one must recognize an ethical issue in some situation. Second, one should “identify and analyze the principal elements in this situation.” And third, one identifies the alternative actions and weighs “the impact of each alternative on various stakeholders.” We should point out that other accounting texts employ similar approaches, so our comments that follow also apply to them.

**The Positives**

We begin with what is good about this text’s approach. The most obvious advantage is that it helps sensitize students to the topic of ethics. It makes them aware of ethical issues and helps alert their consciences to when things might be amiss. As might be expected, the model’s effectiveness is a function of the contexts, examples, and cases presented to the student, as well as the instructors’ ability to deliver the material convincingly.

This text’s approach also highlights the importance of ethics in the accounting profession. By introducing ethics in Chapter One and integrating it throughout the text, the authors have elevated it to a very important plane. By applying the ethical model across chapter content to such diverse topics as financial statements, budgeting, and cost analysis, one realizes that ethics pervades the accounting discipline. So, if instructors actually assign and “teach” the ethics content, students clearly will address ethical issues in a variety of accounting and business contexts.

Third, the model is simple, so simple that a 10-year old can understand it. Every college student will be able to read and understand this ethical model.

**The Negatives**

We also find a number of defects in this three-pronged model. While the model is simple, in our eyes it is too simple and does not challenge college minds. If one is to take this approach to ethics training, we think a model more appropriate for university education can be found in a 1981 paper by Laura Nash, “Ethics Without the Sermon” in the Harvard Business Review (November – December, pages 79-89). She introduced a 12-step model to guide professionals in their daily decision-making:

*1. Have you defined the problem accurately?*

*2. How would you define the problem if you stood on the other side of the fence?*

*3. How did this situation occur in the first place?*

*4. To whom and what do you give your loyalties as a person and as a member of the corporation?*

*5. What is your intention in making this decision?*

*6. How does this intention compare with the likely results?*

*7. Whom could your decision or action injure?*

*8. Can you engage the affected parties in a discussion of the problem before you make your decision?*

*9. Are you confident that your position will be as valid over a long period of time as it seems now?*

*10. Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole?*

*11. What is the symbolic potential of your action if understood? If misunderstood?*

*12. Under what circumstances would you allow exceptions to your stand?*

Now that’s an ethics model! Nash’s model highlights just how superficial the efforts of today’s accounting texts are in addressing ethics education. This model adds teeth to the KWK model and fleshes some important details that students should think about.

A second issue concerns the application of the KWK model. Recall that the first step requires one to *recognize* an ethical issue, whereas the second step requires one *to identify and analyze* the ethical issues. Our concern is that this model puts these two key steps in a vacuum because the decision maker (in this case, the student) has no framework to provide guidance in issue recognition or problem evaluation. In essence, decision makers ***bring their own ethical frameworks*** to the situation, however inchoate they might be, guaranteeing chaos across observers.

In one sense the model’s ethical vacuum is understandable inasmuch as social forces have pushed pluralism to excess, and society seemingly has embraced the notion that values are personal, and not subject to debate. We think this is an extreme position even in a pluralistic society!

Can’t we at least agree on some notions of value? For example, we posit three values: (1) ***one should tell the truth***, (2) ***one should not steal from others***, and (3) ***one should not defraud others***. Think of these as a business application of the so-called “golden rule:” *people should treat others as they want others to treat them.* With values like these, individuals have a better chance of recognizing and evaluating ethical issues.

A third concern focuses on step three in the KWK’s model. By mandating that the ethical decision maker consider all stakeholders and weigh the impact of any potential ethical decision on them, KWK seemingly slide into utilitarianism, which advocates trying to maximize the welfare of all stakeholders in some collective function. But utilitarianism itself suffers from several defects. For example, how does one aggregate social welfare across a set of stakeholders? Also, why are intentions omitted even though moral intent often is important in ethical matters? And finally, why must individuals be subjugated to some vague and indefinable collectivity? Even worse, moral values such as honesty and respect for private property need not play any role within a utilitarian framework.

We much prefer a deontological approach, which ***stresses duties and responsibilities***. Such an approach would define what a person should do or not do, for example, supporting a client’s interests when you have a fiduciary responsibility to do so, and/or not revealing privileged client information. The three “golden rule” values we proposed earlier clearly would be duties and responsibilities of economic actors.

**Some Grumpy Suggestions**

We offer two constructive ideas to help KWK and other authors improve ethics training in accounting textbooks. First, include the [principles of the AICPA’s Code of Professional Conduct](http://www.aicpa.org/research/standards/codeofconduct/pages/sec50.aspx) (as well as those of the [Institute of Management Accountants](http://www.imanet.org/pdfs/statement%20of%20Ethics_web.Pdf), [Institute of Internal Auditors](http://www.theiia.org/guidance/standards-and-guidance/ippf/code-of-ethics/english/), and [PCAOB](http://pcaobus.org/Standards/EI/Pages/default.aspx)) in the text by highlighting them in a table and discussing key commonalities in Chapter One. These organizational statements on ethics clearly voice the purpose of the accounting profession, and represent a magnificent declaration of the values held by its members. This approach would signal to the student reader that these values are not merely those of the authors, but also those of professional accountants throughout the land.

Our second suggestion is to use [SEC Litigation Releases](http://www.sec.gov/litigation/litreleases.shtml) to highlight ethical lapses. While one would want to avoid the substitution of the legal for the ethical (which by the way students often confuse), it could still be instructive to observe and dissect real world ethical corpses, thereby demonstrating the overlap of ethics and law, especially when the public already has a sense that the accounting profession has failed too many times. Poignant examples like [Sensormatic Electronic](http://www.sec.gov/litigation/litreleases/lr15680.txt) and [Waste Management](http://www.sec.gov/litigation/litreleases/lr17435.htm) would be easy to discuss and infuse into an accounting text.

So, in closing, accounting textbook authors and their publishers need to stop “short-cutting” the ethics issue. Discussing ethics is insufficient; it needs depth and breadth and meat and muscle. Most of today’s texts are simply insufficient when it comes to ethics instruction, given their nondescript discussions of ethics. Moreover, their overly simplistic ethics models, which are devoid of useful frameworks, simply trivialize ethics and lead to public relations games rather than any real changes in behavior. To impact ethical decision-making, we need a framework for ethical principles that enunciates professional values and spells out duties and responsibilities. We need a discourse that challenges students and touches on current, “real world” applications. We need a usable (not theoretical) guide to help students with their daily battles in applying the “golden rule” in an increasingly morally bankrupt accounting and business world.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*