

Ethical Decision Making: A Reflection and Application in Multiple Financial Accounting Dilemmas

Author: R. Cameron Cockrell, Assistant Professor, Accounting.

Acknowledgement: I would like to thank Dr. Adam Bange in Chemistry for his direction throughout the Ignatian Mentoring Program. His insight guided much of how I implemented my ideas in the classroom. I am most grateful for his mentorship on this project.

Background

Although I did not begin working on this project until the current academic year, in many ways, the process began three and a half years ago. During that time, I was preparing to interview at Xavier. As I familiarized myself with the University, and spoke with some of the faculty members to gain a better sense of what XU was all about, I was struck by the degree of alignment between my teaching philosophy and the mission and vision of Xavier. A closer evaluation and study of the language used in those statements emphasized that where there were differences, they were slight. Within those statements, the University seemed to use slightly different words to convey similar, albeit subtly different, ideals to those of my personal philosophy. It became clear that these subtle yet important differences were rooted in Ignatian Spirituality. It is against this backdrop that I began thinking about how to bring more of the Ignatian philosophy into a Principles of Financial Accounting classroom.

The Old Assignment

In the past, I assigned my sections of Principles of Financial Accounting (ACCT 200) to write an open-ended essay about ethics that would be due on the date of the final exam. Their guidance was to think about, and write down, what ethics means to them. From there I asked them how they believe ethics is applied to business and accounting. Finally, I asked them if they

believed that they were living by their own rules, and if there were times that they had violated their own ethical standards. The idea behind this essay was to give students an opportunity to think critically about ethical issues and express their views on them. When analyzing areas where I thought the assignment could be improved, I identified weaknesses in the loose structure and lack of open class discussion. These weaknesses provided an opportunity to strengthen the assignment while aligning it with Ignatian ideals.

The New Assignment

In thinking about how to improve the assignment, I began anticipating the Ignatian themes that might emerge from the students' essays about ethics. I also thought about what goals I hoped to achieve by restructuring the assignment. Accountants are entrusted by the public to provide unbiased information to decision-makers. Despite that, ACCT 200 is a technical course, and students often have difficulty thinking about the larger issues at play as they learn the rules of accounting. Because this assignment goes "above and beyond" the normal ACCT 200 technical content, I wanted to ensure that I gave it the same care that I would give a standard assignment. In thinking about how to do that, the goal of educating the whole person emerged. I anticipated that if students really thought about ethical issues on a societal level, they may come up with themes related to social justice, and being men and women for others.

I chose to implement the assignment in the Spring 2016 section of Principles of Financial Accounting (ACCT 200). These students come from a wide background, as ACCT 200 is not only a core business course, but also a required course for many non-business majors. Students range from first-years to graduating seniors. In the Spring semester, the section I taught had 24 students.

The new assignment required students to write two essays during the semester. The first essay was due around the seventh week of the semester, while the second essay was due around the twelfth week. To prepare for the assignment, students were instructed to choose any one of the videos on Jesuit Ethics found on the Xavier Jesuit Resource website (at the time of this manuscript found at: <http://www.xavier.edu/jesuitresource/online-resources/Jesuit-Ethics-Videos.cfm>). The students were instructed that their goal should be to find something about ethics that speaks to them.

Essay #1

The students were given the following instructions to write a brief essay after they watched their video:

- Identify the video you watched and briefly summarize what the speaker had to say about ethics.
- Did your video address any similarities or differences between Jesuit/Ignatian ethics and “normal” ethics?
- What does ethics mean to you?
- Have you noticed any changes, or development in your life over the years with respect to ethics?

After the students submitted their first ethics essay, they were instructed to bring a copy to class a week later, and we would discuss them. This gave me time to review the results, and synthesize them for class discussion. Many key themes emerged that I found interesting. Many students concluded that Ignatian or Jesuit ethics is like normal ethics but with a spirituality component. They also found more of a sense of community in Jesuit or Ignatian ethics. Students indicated a keen awareness that choices affect others, and that there is less emphasis on the self

than on others. There was a sense of social justice intertwined with decision-making. When considering what ethics meant to them, students indicated that ethics should not be convenient. There should be an integrated desire to do the right thing, not simply a desire to avoid punishment. Some indicated that there should not be a difference between Ignation or Jesuit ethics and “normal” ethics. Another outcome of this assignment that surprised me is that some students were forthcoming with their prior (e.g. high school) violations of personal ethics that they have since grown from, even though I did not ask for this information. Many students indicated that they have grown less selfish, and have gained a greater awareness of their personal code of ethics since coming to Xavier.

Essay #2

According to a recent survey conducted by the Association of Certified Fraud Examiners, more cases of fraud originate from the accounting department (16.6%) than any other business unit (ACFE 2016). This underscores the importance of considering ethics in accounting. For the second essay, I wanted students to focus on specific accounting dilemmas from the textbook (Spiceland et al. 2016). I chose this source because it kept the ethical dilemmas at the appropriate difficulty level, and the students could easily relate the dilemmas to course content. I instructed to students to choose any two of the ten ethical dilemmas from the accounting text. Students were then instructed to write an essay that addressed the following issues:

- Identify the ethical dilemmas you read, and rate how strongly you feel about the ethical issues involved (from 1 = no ethical violation to 5 = strong ethical violation).
- Who are the parties that could be affected in each ethical dilemma? Explain.
- What do you think you would do in each ethical dilemma?

- What do you think an another (average) person would do in each ethical dilemma?
- Could you envision any scenario where a reasonable person could choose to do the opposite of what you chose in each of your ethical dilemmas?
- Do you think people take business ethics as seriously as personal ethics?

It is worth noting that not all of the ethical dilemmas involve a clear-cut breach of ethics. In fact, some of the ethical dilemmas involve scenarios that businesses regularly engage in and are widely, though perhaps not universally, considered acceptable practices. I tried to ensure that the students were not primed to assume that every questionable issue involved a definitive violation of ethics. My goal was for the students to consider each scenario thoughtfully, and arrive at defensible position. The following is a brief synopsis of the three most chosen ethical issues by the students (net income, corruption, and inventory):

- After your boss informs you that you will be fired if Net Income declines, you must decide whether to understate certain expenses intentionally to increase Net Income this year.
- After being sent to prison for a crime you did not commit, the warden threatens to make your life miserable unless you use your financial skills to help him cover up the bribes he has been taking from local businesses to keep him from bidding on jobs using low cost prison labor (based on the Shawshank Redemption).
- A company needs a loan to be approved for its long-term sustainability; however, you have been informed that the company has \$80,000 of obsolete inventory that should be written off. Doing so would hurt the company's balance sheet to the point that it would

jeopardize the loan. You must decide whether to write off the inventory this year, or to delay it another year.

These three ethical dilemmas (net income, corruption, and inventory) accounted for 38 of the 48 ethical dilemmas chosen (14, 16, and 8 respectively).

Students indicated that the net income case was the most egregious in terms of the ethical magnitude of the situation (4.3), followed by the corruption case (4.1). In the net income case, most students believed that because they would individually benefit from breaking a clear accounting rule, that purposefully overstating net income in this case would be a major violation of ethics. The class seemed more divided on the corruption case. Despite the high average, the variance was 1.38 for the corruption case (vs. 0.70 for the net income case). In the corruption case, there was an element of being able to help the other prisoners by tutoring them, if you went along with the warden. Some students rationalized that if they agreed to the warden's scheme, while unethical, at least they would be able to help other prisoners. For some, this was akin to choosing "the lesser of two evils." The class felt more neutral about the inventory case (2.9). In that case, the owner was presented as an older, caring man. The owner cared little for personal wealth, but was deeply concerned about his employees. This circumstance definitely mitigated how some students viewed the ethics of deferring the write-off for one year, despite it being a violation of accounting rules. In fact, none of the eight students who chose this case rated it a five (strong ethical violation).

Reflection

I believe that revising the open-ended ethics essay into a more structured two-part assignment was beneficial to the class and me. Adding a discussion component gave the students a chance to elaborate on their written thoughts, and hear other students' viewpoints. I learned

that many students went to Jesuit high schools, and several gave feedback that they felt like the assignment helped them connect more to the class – especially from non-business majors. I found the new assignment to be a marked improvement over the old. I plan to use this assignment structure going forward with revisions. One change that I will make next semester is to limit the number of choices for the ethical dilemmas in Essay #2, so the entire class is familiar with each dilemma on discussion day.

References

- Association of Certified Fraud Examiners. 2016. *Report to the Nations on Occupational Fraud and Abuse*.
- Spiceland, J. D., W. Thomas, D. Herrmann. 2016. *Financial Accounting 4th edition*. McGraw Hill Education.