

Using Ignatian Values to Resolve an Ethical Dilemma in Accounting

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Background

While accountants have a responsibility to accurately measure and communicate financial information, they may face pressure to report financial results in a more favorable manner. In my financial accounting courses, I have primarily focused on the necessity of reporting financial information accurately so that financial statement users, such as investors and creditors, can make well-informed decisions. I also typically discuss some of the larger, well-known accounting scandals that have occurred. However, as I reflected on previous assignments related to ethical issues in my courses, I wondered if I was truly achieving my overarching objective. Do students leave my class more prepared to handle ethical issues when they begin their careers?

The Ignatian Mentoring Program (IMP) provided me with the opportunity to become more familiar with the Ignatian values that are core to our Jesuit heritage at Xavier. As I thought about my main goal for including ethical issues in my courses, I found these Ignatian values to be extremely relevant. From that perspective, I revised an existing project in my ACCT 307 (Financial Accounting & Reporting I) course to incorporate Ignatian values into the process of resolving an ethical issue in accounting.

Project Details

The students first read about a hypothetical ethical dilemma in accounting that involves the premature recognition of revenue.

Students imagined that they are new accountant at Fabulous Furniture, a company that builds and sells a variety of home furniture. The scenario specifies that sales have been slower than usual and it is near the end of the fiscal year. Several employees are eligible to receive a bonus if the company hits its sales target for the year. Recording the revenue associated with a customer order that was completed but not delivered will enable the company to reach the sales target.

Part 1: Accounting Research - Students researched whether the accounting guidance permits the recognition of revenue. They should determine that recording revenue at the end of the current fiscal year is not appropriate per the accounting standards.

Part 2: Ethical Dilemma - Students next imagined that their boss directed them to record the revenue before the end of the year in order to hit the sales target despite the violation of accounting principles.

Students wrote a one-page summary explaining what they would do in this particular situation, specifically considering: a) whether or not they would record the revenue, b) the specific actions they would take to execute their choice, and c) the challenges they may face.

Next, students read about the Ignatian values (Reflection, Discernment, Solidarity & Kinship, Service Rooted in Justice & Love, Cura Personalis, and Magis) using the following resource:

<https://www.xavier.edu/mission-identity/xaviers-mission/xaviers-values>. They selected one of the Ignatian values and gained a deeper appreciation of that particular value by doing additional research. I considered assigning a value to each student, but instead decided to give students the opportunity to select the value they found most relatable.

Lastly, students wrote another summary capturing the following: a) which Ignatian value they selected, b) a description of the value, c) whether or not they felt that considering the value would be helpful in their handling of the revenue recognition dilemma, and d) whether this additional research altered their initial approach.

We discussed the project as a class after students submitted their work. In addition to debriefing the research phase of the project, the purpose of this discussion was to allow the students to share their thoughts of the various Ignatian values and to discuss how considering these values informed their handling of the revenue recognition issue presented in the case.

Outcome

Almost every student agreed that it was not appropriate to record the revenue associated with the sale at the end of the year as it violates accounting rules. They were quick to point out that overstating revenue could mislead financial statement users, such as investors and creditors. They also acknowledged that recording revenue could cause reputational harm to the company if discovered.

However, they also recognized the challenges that they would face by making that decision. Fabulous Furniture would not hit their sales target, employees would not receive a bonus, and their boss would likely be unhappy that they did not follow the directive to record the revenue.

There were various strategies presented as to how they would handle the situation. These included: a) having a conversation with their boss about the risks, b) reaching out to an independent party (such as HR, anonymous hotline, or trusted mentor), c) reviewing the accounting records to determine whether there was a legitimate way to reach the sales target, d) suggesting ways for the company to improve sales to meet next year's target, and e) resigning as a last option if necessary.

Applying Ignatian Values

Forty students in two sections of ACCT 307 completed this project during the spring 2022 semester. The most commonly selected Ignatian value was discernment (19 students), followed by magis (13 students) and reflection (5 students). Service rooted in justice & love (2 students) and solidarity & kinship (1 student) were selected infrequently. Cura personalis was not selected.

The table below summarizes the Ignatian values discussed and the more common examples of how students applied the value to the ethical dilemma.

Ignatian Value	Application
<i>Discernment</i>	<ul style="list-style-type: none">• Promotes a thoughtful decision-making process to weigh the pros and cons of recording revenue prematurely

	<ul style="list-style-type: none"> • Helps the accountant to take a step back and calm emotions
<i>Magis</i>	<ul style="list-style-type: none"> • Encourages excellence and accountability which requires the accountant to report accurate information • Helps the accountant focus on their career as a tool to serve others
<i>Reflection</i>	<ul style="list-style-type: none"> • Inspires the accountant to challenge the status quo • Allows the accountant to pause and consider their place in the world
<i>Service Rooted in Justice & Love</i>	<ul style="list-style-type: none"> • Highlights the obligation to those in the business community relying on accurate financial statements
<i>Solidarity & Kinship</i>	<ul style="list-style-type: none"> • Reminds the accountant that we work alongside others and that it may be helpful to reach out to a trusted mentor

Several students mentioned that considering their selected value improved how they planned to handle the situation. For example, students mentioned that they would spend more time to make their decision, have a more thoughtful discussion with their boss and/or peers, and have a more holistic perspective when approaching the dilemma. While most students would not drastically alter their handling of the ethical dilemma, many students expressed that considering the value made them feel more confident and content in their initial approach.

Reflection

Incorporating the Ignatian values into the project with my ACCT 307 classes was even more helpful than I anticipated. My students embraced the assignment, and already had a decent understanding of the Ignatian values because of training from other courses. This knowledge allowed them to effectively apply these values to the ethical dilemma. I was also impressed with their ability to use the values to think through various approaches to handling ethical issues in practice. It was reassuring to hear them share effective strategies with one another.

Unfortunately, students are likely to face some type of ethical issue during their career, even if it is minor. I felt this assignment better armed them with techniques that they can leverage depending on the situation and circumstances. I plan to continue this project in future semesters, but with one potential change. I may consider assigning students to small groups to complete the ethical dilemma portion of the project to allow for more collaboration and sharing of ideas.

Acknowledgement

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