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TEACHING ACCOUNTING ETHICS AT UIW AN INTROSPECTIVE COMMENTARY ON THE SCHOLARSHIP OF TEACHING AND APPLICATION

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Abstract

We should be teaching ethics to our business accounting students, and the appropriate ethics course is approved by the Texas State Board of Public Accountancy, and includes “ethical reasoning, integrity, objectivity, independence and other core values.” This paper examines the genesis of the course ACCT 4318, Ethics for Accounting and Business, currently offered in the H-E-B School of Business and Administration accounting curriculum. Can ethics be taught? The weltanschauungs (world-views) of some students can be changed. The thrust of the course is for students to develop systematic and rational processes for identification of stakeholders, identification of operational issues presented in cases, and identification of alternative courses of action to evaluate in terms of ethical thought. Students read parts of Catholic doctrine and write précis of parts of the Pastoral Letter on Catholic Social Teaching (1986). In addition to the case analyses students write two essays early in the course describing the structure, process and purposes of an essay, and the systematic and rational process they intend to use for case analysis. The course has received peer review approval from the Texas State Board of Public Accountancy, and is designed to acquaint accounting students with the fundamentals of the Code of Professional Conduct of the accounting profession. The course uses the case method in a seminar classes to develop students’ skills in writing, analysis, and critical thinking. Students look past their preconceived notions of right and wrong, examine the consequences of actions in light of the major concepts of ethical thought, and conduct ethical reasoning.

Teaching Accounting Ethics At UIW An Introspective Commentary On The Scholarship Of Teaching And Application

We cannot hide that which will not be hidden. We should be teaching ethics to our business students. As the coordinator of the concentration in Accounting in the BBA degree here at UIW, I came to that conclusion at about the same time as did the Texas State Board of Public Accountancy, largely as a reaction to the accounting and auditing scandal at Enron. On August 16, 2002, the Board revoked Arthur Andersen LLP’s license to practice public accountancy in the State of Texas (TSBPS, 2002). Given the purpose of familiarizing students with the fundamental disciplines of business, both in a context of relevance and in the inspiration of our Judeo-Christian values, we must face the facts. As Aesop would have us understand, the (broken) horn will speak for itself, though the goat be silent.

In his book *Good to Great*, Collins (2001) urges confronting the “brutal truth.” The history of business in the United States includes a history of scandal, fraud, and deceit.

Whether the troubles at Enron, WorldCom, or Martha Stewart Living Omnimedia outnumber or out-stink those of the Penn-Central Railroad or of Billy Sol Estes in the 1960s or the Tea-Pot Dome in the 1920s is moot. There is no shortage of unethical and illegal conduct in business in any century, let alone any given decade of the 20th century, or the first few years of the 21st, and as Donovan said to the class in 2003, our accounting graduates will eventually be asked to cheat. The holistic look at the classroom urged upon us by Mulnix and López-Bernstein (Mulnix, et.al., 2002) and the exercise of courage championed by Lawrence Kimmel in his address to the UIW Symposium on Scholarship (Connelly, 2002) require us to have the strength of character to do what Aesop and Collins advise: we need to face the facts and design a curriculum that looks at students, as well as teachers, as whole people in need of balance and leadership in dealing with a less than perfect world. Students need our assistance, as teachers, in guiding their own decisions and actions as they make their way not only here at UIW but in their business lives after college.

So we come to the classroom with the firm purpose of making our teaching, our content, and our engagement of students relevant to today's social environment. We intend to apply our knowledge, expertise, and creativity to issues such as favoritism, cronyism, racism, women's rights, and professional conduct, as well as to the precepts of objectivity, impartiality, fairness, independence, integrity, and both intellectual and legal honesty. We have a mandate to promote critical thinking. UIW aims to educate men and women who will become concerned and enlightened citizens (Undergraduate Bulletin, 2001). While we have long honored the scholarship of teaching, Connelly (2002) has indicated we should "encourage the scholarship . . . directed at solving pressing social and ethical problems." This comprehensive approach to scholarship, espoused by Boyer (1990), has been embraced in our *Faculty Handbook*. It is Boyer himself who says, "The work of the professor becomes consequential only as it is understood by others." As Connelly quotes the *Faculty Handbook*, "the scholarship of teaching involves maintaining expertise in a field and sharing that expertise in a way that stimulates critical thinking and creativity, both in the classroom and the academic community."

The H-E-B School of Business and Administration incorporates these standards in its goals for educational outcomes. We want students to be aware of domestic and global issues and the role of business in their solution, and we aim to enhance and develop their critical thinking skills (Undergraduate Bulletin, 2001). These challenging goals, and others, are part of a process that, like the symmetrical open-systems approach to teaching described by Mulnix and López-Bernstein (2002), eventually will lead us to engaging students on a fundamental level that transcends the subject specific content of the course syllabus. Burlbaw (1992) at Texas A & M suggests, as clearly contemplated by our faculty evaluation system, that scholarship in teaching can be assessed by self-evaluation, by peer evaluation, and by student evaluation.

Among the many new rules the Texas State Board of Public Accountancy promulgated in 2003—in response to the ethical crisis manifest in the collapse of Enron and the cancellation of the license of their auditors Arthur Andersen LLP—is a change in the qualifications required for candidates to sit for the Uniform CPA Examination. After

July 1, 2005, in addition to holding a baccalaureate or graduate degree including 21 credit hours of upper-division business courses. 30 credit hours of qualified accounting courses. and 150 total semester hours (or a graduate degree), a candidate wishing to take the exam must complete a Board approved three hour course in ethics. The ethics course must be specifically approved by the Texas State Board of Public Accountancy and must include “ethical reasoning, integrity, objectivity, independence and other core values” (Texas Administrative Code).

The vision of an ethics course in accounting that seemed most appropriate was a seminar course, based on the case method, with lots of discussion. As Mulnix and López-Bernstein (2002) say, “Engaged teaching emphasizes involvement and participation.” After research on the Internet, in our online journals in the library, and in accounting journals (the American Accounting Association, the top-level professional association for accountants in academia, produces several of these) sample syllabi from ethics and accounting ethics courses all over the country were reviewed. A couple of good models came from the University of Texas at Austin, St. Edwards University, and Missouri Southern State College. An exceptional one came from Dr. David Hildebrand in the Philosophy Department at the University of Texas at Austin (Hildebrand, 2003).

The rigorous processes for approval of the course were then examined. The opportunity (if not mandate) presented by the State Board of Public Accountancy was clear and the accounting faculty at UIW concurred in the decision to offer the course. UIW Philosophy Professor Bob Connelly gave counsel about possible textbooks and the relationship of the course to the Philosophy Department in the College of Humanities, Arts, and Social Sciences. A draft syllabus and course outlines were written and a preliminary text selection was made. With written justification and rationale in hand, approval to go forward was sought from Bob Ryan, Dean of the H-E-B School of Business and Administration and from the H-E-B School’s Curriculum Committee. All of those materials, projected class schedules, topics, and assignments were presented to the Qualifications Committee of the Texas State Board of Public Accountancy for approval of the course. (The material was presented twice: they turned us down the first time, because of incomplete information.) The review and approval of the Qualifications Committee and State Board of Public Accountancy approval may be understood to constitute peer review; they are both composed of staff and members of the Board who regulate the accounting industry in Texas, and include many CPAs in their number. The review of the H-E-B School’s Curriculum Committee was directed toward the institutional and school fit for the course in our existing curriculum. The review of the State Board of Public Accountancy dealt with the specifics of course content. Official approval was granted by the State Board of Public Accountancy on May 18, 2004.

Can ethics be taught? If “can ethics be taught?” means “can students learn about the study of human actions with respect to their being right or wrong?”, or “can students study moral philosophy?” then the answer most certainly is yes. If the question means “can we teach ethical behavior in such a way as to change the future attitudes and behavior of students already in their twenties or older?” the answer has to be mixed. Researchers at Harvard hold that young adults come to the ethics classroom with ethical

standards that are not fully developed (Piper, Gentile and Parks, 1993). Student values may prohibit personal wrongdoing and perhaps low tolerance for bad behavior in others. “I will not hurt you, and I will not allow you to hurt me” summarizes this limited view. Some students lack life experience and do not grasp the extent of the consequences of their decisions and actions, especially from a management point of view. Not hitting your sister and not running a company that makes weapons of war are both admonitions having their geneses in relatively simple ethical stances—following the golden rule, or Kant’s categorical imperative. The difference in the two—and this is the difference that Piper, et. al., point out—is that undergraduates in their early twenties do not see the chain-of-events type of consequences related to their actions. Their views are largely personal, regarding their personal space and life, and do not contemplate the global (Piper, et.al., 1993).

The *weltanschauungs* (world-views) of some students can be changed. Their views can be broadened to include a sampling of the history of ethical reasoning. Study and analysis of Grecian schema; the influences of religious teaching including Islam, Buddhism, Christianity, Confucianism, Judaism, etc.; the modern and post-modern philosophers including Kant, Mill, Sartre, and Camus; and the analysis of the stages of ethical development made by Kohlberg/Gilligan can, and should, be part of this process. Mind you, this is not a philosophy class. Rather, it is a seminar among students who have already had an introductory philosophy course and have completed some religion and spirituality classes. The students pick “schools of ethical thought” for class discussions with their essays and notes in hand while the teacher facilitates, prods, and fills in the gaps.

Getting the students to let go of their preconceived notions of right and wrong and to appreciate that views of the world other than their own at least exist absorbs considerable class time. Knowing right from wrong is a good thing and students always have an opinion of it. It is essential for students to have well-formed views of right and wrong. In a reflection of the duality of nature, without conscience they would lack the empathy to see issues from another person’s point of view and the case method would have little use. However, strongly held views of right and wrong coupled with simplistic world-views can lead students to intractability. As A. N. Whitehead (1929) wrote, “the function of a University is to enable you to shed details in favor of principles.” If students have difficulty seeing two sides to a question, how can they analyze six or seven alternate courses of action? How can they grasp and analyze consequences in terms of multiple approaches to ethical reasoning? Somewhere in between those two extremes are students who can, and do, learn about ethical thought and who have their worldviews and subsequent ethical behaviors changed.

Simply understanding what a construct is and how constructs interact in our thinking are steps toward knowing that not all see the world in quite the same way. An intuitive understanding of structure, or at least construct-like models of physical reality, can help the students see from new perspectives. Seeing Euclidian geometry or scientific descriptions of sub-atomic particles as tools useful for describing the behavior of the real world in limited circumstances but which do not describe the nature of reality is a big

step for many students. These kinds of examples help students see that they think through the structure of language and to see that things they take for granted, such as $2 + 2 = 4$ or the nature of accounting as a descriptor of business, may have different meanings in different contexts. Accounting, for instance, does not really describe the true nature of the results of operation of a business. does it? Accounting is simply a model that comes in handy, chiefly because of convention. in approximating the financial results of the operation of a company (and describing its financial position) but which generally ignores the value of the human beings who work for that company, the effects of the company on its owners and customers, or the effects the company may have on the natural and business environments. These non-financial aspects of the reality of an enterprise have significant long-term effects on financial performance, although accounting, in attempting almost wholly to measure financial performance, largely ignores them. The structure of the model we traditionally use (accounting) excludes these non-financial measures. This model is both flawed and limited, and students should see it that way.

Students in business and accounting ethics classes react favorably to an interesting 17-minute video. *A Private Universe* (1987), that deals with the idea that relatively smart people, possessing some native curiosity, often have difficulty learning new concepts. They develop personal interpretations and explanations of new phenomena that they encounter. They “make up” explanations of unexpected phenomena and fit these made up ideas into their *weltanschauungs*, their understandings of how the world works. They develop a subconscious “pride of authorship” type of fondness for these theories and do not let go of them easily, even when confronted with clear and compelling evidence that the actual explanation is entirely different from what they thought.

The design of the ethics course at UIW is intended to invoke three basic propositions. First, there is a Code of Professional Conduct applicable to both members of the AICPA and licensees of the State Board of Public Accountancy. These rules generally deal with things such as who can be a partner in an accounting firm, how firms advertise, what relationships may violate standards of independence and objectivity, and so on. The rules include overarching principles that demand that CPAs conduct their personal and business lives, in public practice or in private business, with objectivity and integrity, in service to the public interest, and that they act with due professional care in observing the profession’s technical and ethical standards (AICPA, 2005). Students must become familiar with these rules and should be proficient in their application to typical situations that routinely occur in business.

The second thrust of the course is for students to develop systematic and rational processes for identification of stakeholders, identification of operational issues presented in the cases, and identification of at least two alternative courses of action to evaluate in terms of ethical thought. These analyses are prepared in writing and are turned in for a critique, if necessary, and for a grade.

Students are not lazy, but they often seem that way. They seem to want to rely on their “gut feeling” for right and wrong, tempered by their growing knowledge of specific rules,

without having to consider the consequences of their decisions on the other participants in an ethical dilemma. When they are uncomfortable in identifying the appropriate stakeholders or unpracticed in reasoning their way through the consequences of the various alternatives, they are awkward in both analysis and expression and they often fall back on their preconceived notions. Mintz (1998) recommends that the ethical analysis determine, for each alternative (a) is it legal: (b) is it consistent with professional standards and rules: (c) is it right; (d) is it fair and (e) is it beneficial. As students gain skill in identifying alternatives, identifying stakeholders, and analyzing the consequences of each in terms of an ethical system (or application of laws and rules) their apparent “laziness” begins to go away and they begin to rely on their analytical thinking skills instead of their ideas of right and wrong to get to the crux of a case and come up with a viable solution for the protagonist.

Students are often surprised that there must be at least two alternative solutions to consider. According to the logic of Dr. Stanley A. Self at TCU in 1969, a problem is a question that has alternative answers: no alternatives, no problem. In the early stages of the course, when they still rely on the baggage of right and wrong they brought with them, students seem to try to select the final choice as the only “alternative” because they think it is the right thing to do. By definition, though, a problem must have alternative answers. Otherwise, as there is only one course of action available, there is no decision to make.

Next comes the “smell test.” After detailed analysis, they make a selection among the alternatives, and then they give that decision a “smell test” involving a choice of two standards. First, they are to consider whether they would be comfortable with the decision if they were required to tell their mothers what they had done. Alternatively, they are asked to consider whether they would be comfortable if the actions they chose were to be reported on the front page of tomorrow’s newspaper. In either case, if their decisions flunk the smell test, they must reexamine their analyses.

The final major thrust of the course is to develop or improve students’ critical thinking skills. As Bean (2001) has eloquently pointed out in his *Engaging Ideas*, “writing is both a process of doing critical thinking and a product communicating the results of critical thinking” and “teaching thesis-based analytical and argumentative writing means teaching the thinking processes that underlie academic inquiry.” This resonates with what we know intuitively. My grandmother said (and I cannot find better attribution; perhaps she had read some of Locke’s essays on knowledge and words), “We think in words. If we do not have adequate words, we do not have adequate thoughts.” In this course, successful students write 17 essays. Fourteen of them are about the cases we read, from a collection of cases I bring in, plus selections from our casebook, *Cases in Accounting Ethics & Professionalism*, compiled and edited by Mintz (1997).

There are two requirements for each case. One includes structured analyses, in bullet or short sentence form, of the content of the case: setting out the salient facts, naming the protagonists and those who could suffer a material result from their choices, an enumeration of reasonable alternatives, and ethical analysis. Second, students prepare

persuasive essays describing the analyses in some detail, but without reiteration of the facts, and include proposed solutions. The seminar content of most of the class sessions, after the first few, consists of student dissection and discussion of the cases and defense of their solutions.

The class also includes limited examination of Catholic social teaching. Students read parts of Catholic doctrine and write précis of parts of the Pastoral Letter on Catholic Social Teaching (1986). This provides information about our obligations for fairness and social justice in business exchanges and practices as well as the obligation of distributive justice. We seek to honor the duty of society to enable all people to be active and productive participants in the life of society, including its economic life, by talking about it. “What the Bible and Christian tradition teach, human wisdom confirms” (Pastoral Letter, 1986).

In addition to the case analyses and essays, students write two other essays early in the course. The systematic and rational processes they intend to follow during the balance of the course, for analyzing the cases, is set out in some detail. At the time they prepare the assignment these matters have been much discussed, but only the intellectually curious have discovered the chapter on the ethical decision making processes in their case books. More important, students turn in essays describing the structure, process and purposes of an essay. They write essays on how to write expository or persuasive essays. Most students refer to their composition texts, or the Internet, for guidance and, of course, this is what the assignment is intended to do. It simply lets students refresh their knowledge of sound composition.

Student writing would be improved if there were time for substantial revision of their essays but the balance between developing their writing and critical thinking skills and our brief explorations of the history and content of ethical thought, coupled with accounting content in some of the cases and references to the content of the Code of Professional Conduct in many more, does not leave time for significant revision of their essays. Presumably, students also have reasons why they have not enough time to revise and improve their work. That needed improvement, together with additional peer-review by faculty observation of the classes and student evaluations of the course, will have to wait for future renditions.

This paper has examined the genesis of the course ACCT 4318, Ethics for Accounting and Business, currently offered in the H-E-B School of Business and Administration accounting curriculum. It traces the development of the course to its current condition, documenting the scholarship of teaching and application envisioned by Boyer, and suggests that the professor “will be pushed in creative new directions” (Boyer, 1990). The course has received peer review approval from the Texas State Board of Public Accountancy. Designed to acquaint accounting students with the fundamentals of the Code of Professional Conduct of the accounting profession, the course uses the case method in a seminar style class to develop students’ skills in writing, analysis, and critical thinking. Students look past their preconceived notions of right and wrong, examine the consequences of actions in light of the major concepts of ethical thought, and conduct

ethical reasoning. The course emphasizes integrity, objectivity, independence, and fundamental Christian values. It demands significant expository and persuasive writing from the students and seems to enhance their writing skills, critical thinking skills, and the appreciation of critical ethical thought.

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