

Chapter 1 Ethical Reasoning: Implications for Accounting

Discussion Questions

- 1. Select one of the world's religions and give a concrete example of how the Golden Rule applies in that religion.**

"Every religion emphasizes human improvement, love, respect for others, sharing other people's suffering. On these lines every religion had more or less the same viewpoint and the same goal." The Dalai Lama

Students may use the Internet as resource when researching the use of the Golden Rule in different religions. At websites such as www.religioustolerance.org/reciproc.htm and www.scarboromissions.ca, the comparisons of world religions are made. The students can compare the provided information with their personal views on the Golden Rule.

From the Baha'I Faith, "Lay not on any soul a load that you would not wish to be laid upon you, and desire not for anyone the things you would not desire for yourself."

Baha'u'llah in *Gleaning* (from www.scarboromissions.ca/Golden_rule/sacred_texts.php,

February 7, 2010). From www.religioustolerance.org/reciproc.htm (February 7, 2010),

Black Elk of Native American Spiritually is quoted "All things are our relatives; what we do to everything, we do to ourselves. All is really One." Plato also stated, "May I do to others as I would that they should do unto me." Many students may remember being reasoned with by a parent or teacher on such lines of thinking.

Students may remark that the appeal for many charities, particularly those who feed and clothe the less fortunate and those who provide disasters relief, are often based upon a form of the Golden Rule.

2. The following statements about virtue were made by noted philosopher/writers.

(a) MacIntyre in his account of Aristotelian virtue states that integrity is the one trait of character that encompasses all the others. How does integrity relate to, as MacIntyre said, “the wholeness of a human life?”

(a) Integers are whole numbers. This is the base word for integrity. Things with integrity are the same all the way through, or whole throughout. If we can assume that everyone knows good treatment of their own interests and everyone knows good choices for their own short run, integrity might mean applying those same best choices to situations which affect others or affect the long run of all concerned.

A person of integrity acts with courage, sincerity, and honesty. Integrity encompasses all the other traits or values of character because it also implies action. Integrity requires a person to be honest, but to also act on that honesty. Integrity requires that a person have courage but also to act on that courage. Integrity requires that people not only have principles and values, they also have to stand by those principles and values and not bow to pressure thereby foregoing those principles.

Students often think that integrity is synonymous to honesty. Many dictionaries even state that honesty is the synonym for integrity and vice versa. Yet, just because a thief is being honest in one circumstance does not mean that he has integrity. A way to consider integrity is how consistently honest a person is, not just whether that person was honest in one circumstance.

(b) David Starr Jordan (1851-1931), an educator and writer, said, “Wisdom is knowing what to do next; virtue is doing it.” Explain the meaning of this phrase as you see it.

This quote addresses the fact that it is not enough to know what is right or wrong; one must also act on that knowledge. Knowledge without action would be hollow. Maya Angelou (1928 -), an author has said that “Courage is the most important of all the virtues, because without courage you can't practice any other virtue consistently. You can practice any virtue erratically, but nothing consistently without courage.”

Ethical dilemmas are situations where deciding what is best requires weighing ethical arguments between alternatives. Deciding what the best thing to do is almost always easier than actually doing it. Josephson Institute refers to moral temptations as a choice which is clear but still unattractive. The ratio of moral temptation to ethical dilemma might be four to one. Even those of us with the worst eating and exercise habits seem to know a lot about healthy alternatives. However, making yourself eat vegetables when you are hungry for chocolate is difficult and making yourself consistently prefer vegetables to

cheeseburgers might require something beyond our abilities. Wisdom is mostly knowledge but virtue is mostly desire, and habit.

3. (a) Do you think it is the same to act in your own-self interest as it is to act in a selfish way? Why or why not?

Acting selfishly and in your own self-interest do not have to be the same thing. Normally acting selfishly is only being concerned with self and being very short sighted; it is being concerned with immediate gratification of some sort. Acting in one's best interest may also mean acting in the best interest of all involved. For instance, I can turn up the television loud while I study because that is what I like, who cares if it is bothering my roommate or anyone else. Or, I have the television at a moderate volume so as not to disturb my roommate or anyone else. I do this in hopes that I am not disturbed by loud volumes at 3 am while I'm trying to sleep and my roommate is coming in from a job. In the former case I am acting selfishly and in the other I am acting in my self-interest while considering others.

(b) Do you think “enlightened self-interest” is a contradiction in terms, or is it a valid basis for all action? Evaluate whether our laissez-faire, free market economic system does (or should) operate under this philosophy.

“Enlightened self-interest” may seem like a contradiction in terms. Nevertheless, an individual has to be “enlightened” to consider the long term effects of a choice upon self, others, and the whole of humanity. For example, an individual may want the road near his

house to be free of litter out of self-interest (resale value, dislike of clutter and untidiness, etc.), but can extend that desire to wanting all the roads of a neighborhood or city to be free of litter for the good of the community. In fact, long term self-interest requires that an individual consider others, since an individual does not live in a vacuum without interaction with others. A totally selfish person will probably face negative consequences from others.

The doctrine of laissez-faire, free market system is based upon the belief that economies should not be encumbered by regulation; an economy works best with enlightened self-interest, competition, and the laws of supply and demand. Adam Smith used the term “invisible hand” to describe how enlightened self-interest, competition, and supply and demand worked to self regulation markets without needing regulation. The 2008-2009 financial crisis has raised questions as to whether the invisible hand works. There are many cases during in the crisis where enlightened self-interest gave way to greed and egoism. Such cases have raised cries for new/stricter regulations of the free markets. Although competition and, sometimes, supply and demand can be regulated, can self-interest, egoism or greed really be regulated? If those could be regulated, then regulations alone could create and protect a moral economy.

- 4. (a) What (who) has had the most influence on your personal ethics to this point in your life? Do you feel that your ethics are still evolving? What would cause you to change your ethics positively or negatively?**

Students will immediately think of religion, parents, and the fear of consequences as what made them “moral.”

Ask Students if they were members of moral training organizations like scouting or got moral lessons at school? Would going to church change people, even if they are attending against their free will to start with? Would preaching have more influence on certain ages or certain types of people? Did memorized scout laws, pledges, or oaths have any effect?

Ask Students to separate two kinds of experiences: dramatic and habitual. Are certain ethical lessons only learned by direct experience?

Make a list of life-changing experiences with +/- sides for making you better (+) or worse (-). Can you be made better by someone helping you? Can you be made worse by a betrayal? Besides a near-death experience or having a child, are there any other experiences that you can only know by doing it?

Ask Students if new born babies are innocent and moral or selfish and impatient? How soon do children develop moral habits like telling the truth, keeping promises, and sharing with others? How old before these developments become ingrained in their adult habits?

Ask Students if animals are moral or immoral? Are some animals more capable of learning and changing than others? Are some animals innately moral? Besides loyalty, what moral traits can animals learn? Does being good require reasoning skills? Intelligence? Knowledge? At what age are you done developing morally?

(b) Some believe that the absence of role models has negatively affected the overall ethics in society especially with respect with respect to young people.

Do you agree or disagree?

Role models can make mistakes and act unethically at times; being human guarantees this. However, role models should show how to act with courage in situations where lapses in judgment need to be corrected and overcome. Unfortunately, role models sometimes end up as role models of what not to do. Some might say that in the age of 24-hour news and Internet information, many sports figures or movie stars have been turned into a role models based upon their fame rather than personal character and virtues.

5. One explanation about rights is that, “There is a difference between what we have the right to do and what is the right thing to do.” Explain what you think is meant by this statement.

Having a right to do something allows one to be concerned with one’s self interest only (egoism). Doing the right thing often requires one to consider others besides one’s self.

6. In this chapter we discuss how John Edwards ruined his reputation by having an affair, covering it up, and then not admitting to fathering a child out of wedlock. Shortly after the Edwards disclosure, the public was stunned to find out that one of its most celebrated sports heroes – Tiger Woods – had also engaged in extra marital affairs. Do you think Tiger should be forgiven by the public for his transgressions? What about sponsors such as Nike? Should they

drop Tiger and others who violate societal standards from their role as endorsers of products?

The companies he has endorsements with will have to decide if Tiger's affairs will harm them by association. For instance, Accenture decided that integrity was a core value and that Tiger as a spokesperson harmed the company. Nike said that Tiger was hired to be a spokesperson due to his golfing ability. However, Nike did decide to pull Tiger ads while he was taking a sabbatical from golf. Companies that have long term contracts with Tiger will have to decide if Tiger helps sales more than he hurts sales. The public will have to decide if Tiger misled them or not and if Tiger's apology is sincere.

7. (a) Steroid use in baseball is an important societal issue. Many members of society are concerned that their young sons and daughters may be negatively influenced by what apparently has been done at the major league level to gain an advantage and the possibility of severe health problems for young children from continued use of the body mass enhancer now and in the future. Others wonder whether players such as Barry Bonds and Mark McGwire, two potential future hall-of-famers for their accomplishments in home run productivity, should be listed in the record book with an asterisk after their names and an explanation that their records were established at a time when baseball productivity might have been positively affected by the use of steroids. Some even believe they should be denied entrance to the baseball Hall of Fame. What do you think about these issues? Be sure to use ethical reasoning to support your position.

Using steroids is cheating. What theories would support cheating? Virtue ethics would want doing the right thing to become a habit. Deontology would emphasize the duty of doing the right thing. Fairness would emphasize equals competing against one another. When athletes compete against one other, each one should have the same advantages and disadvantages. Another concern with steroids is safety. If competition is pressuring some individuals to do dangerous things, agreeing about what EVERYONE will not do protects all from that pressure.

Steroids might increase speed and strength if well administered and athletes could make a case that if every baseball player had access to them competition would be equalized; similar to giving every one access to good shoes or the weight room. There are two dangerous issues to consider. Steroid-using batter facing an equally enhanced pitcher might seem fair, and steroid-using Yankees against steroid-using Red Sox might seem fair, but faster pitching hit by stronger hitters might create a danger to spectators and players.

Underneath an almost cult like reverence for athletes is the celebration of sporting, unearned luck of birth talent, healthy respect for the virtues of diligence, courage, dedication, discipline, and sometimes teamwork. Baseball is different from some other sports in that until very recently, it looked like a sport anyone could play. Baseball looks like a fair game in that short guys, fat guys, skinny guys, and athletic looking guys got to play. We celebrate the virtues of sports which we ought to celebrate in ordinary life,

where we are not all born with talent and not all born with inherited resources but we all can be diligent, brave, honest, and fair.

(b) Mark McGwire admitted on January 11, 2010 that he used steroids on and off for nearly a decade, including during the 1998 season when he broke the then single-season home run record. What do you think motivated McGwire to make the confession almost ten years after being questioned about it by Congress? How would you characterize his admission at that time? Do you think he acted ethically in making the confession?

McGwire made the confession about steroids because he was slated to become hitting coach for the St. Louis Cardinals. He admitted using the steroids but felt that taking them did not enhance his hitting performance. Some sports writers felt the confession had “but” attached to it which made light of the confession. Was McGuire sorry that he was caught and had to confess or was he sorry that he used steroids? Adding a “but” to a confession and apology is a form of rationalization and not taking full responsibility for the ethical lapse. The confession is a good start, but McGwire will need to take full responsibility.

8. Your best friend is from another country outside the U.S. One day after a particularly stimulating lecture on the meaning of ethics by your instructor, you and your friend disagree about whether culture plays a role in ethical behavior. You state that good ethics are good ethics and it doesn’t matter where you live and work. Your friend tells you that in her country it

is common to pay bribes to gain favor with important people. Comment on both positions. What do you believe?

The basic moral principles of respect, fairness and kindness are timeless and worldwide; although different circumstances can affect how they are implemented. There have to be certain ways of treating people that almost always hurt and are almost always wrong; you might mention a few obvious ones, like robbery, rape, and murder. Likewise there are cultural practices of great importance without moral significance. An example is which side of the road you drive on. Left and right sides might be morally equal, but once everyone promises to drive on the left side, the wrong side becomes promise-breaking and deadly. Playing “football” in any country besides the United States implies a promise not to use one’s hands, and doing so would be considered cheating. Touching the ball and thereby breaking the rules might ruin the game, but is not often a life and death betrayal. In many countries, restaurant staffs are not tipped, in other countries, nearly everyone tips the same percent and in some places how much you tip influences how well you are treated. A lot, but not all of cultural morality differences are unwritten rules and expectations that seem fair if applied to and by everyone. Arbitrary choices become moral obligations when other peoples’ well being depends on keeping promises to follow those choices.

Some cultural differences in morality have to do with beliefs more than differences in ethical reasoning. In some places, people are accorded better treatment according to their sex, age, race, wealth, or status. This mixes personal traits which are earned with traits that unearned or due to birth. If you believe wealth and power are earned, then their

privileges seem fair, but if you believe children do not choose or earn their parents, then those very same privileges are unfair and discriminatory.

9. Some people believe that ethics is relative to the situation. Others believe we should act the same way in similar situations. Comment on these opposing points of view.

Some believe reacting differently in similar situations undermines one's integrity. Many would believe that the study of ethics is to help one react the same way in similar situations. Virtue ethics and deontology would require that one act the same way in similar situations. Others may believe that reacting differently in similar situations is normal and represents considering others and evaluating each situation for the greatest good and for the greatest number as per utilitarianism.

10. (a) What is the relationship between the ethical obligation of honesty and truth-telling?

Ask Students to differentiate between telling a lie and breaking a promise.

List some lies no one believes and therefore are not very harmful and list some lies that people might believe and thus could be hurt by believing them. List some promises no one believes and some people might believe and could count on, to their detriment.

Have we sometimes "promised" to tell the truth and other times "almost warned" people that we weren't going to tell the truth?

Telling the truth reveals our respect for the other person's decision making ability when he is provided the truth. We lie to people we think would misuse the truth in unfair or dangerous ways. Keeping the truth secret or deceiving people is only effective when those people believe we are providing them with the truth. Lies only work if we lie infrequently enough, to be believed and relied on when we do lie.

Honesty is about keeping promises to tell the truth. Accepting our promise to tell the truth puts someone in a relationship with us. In the terms of Robert Fulghum in *All I Really Need to Know, I Learned in Kindergarten*, a promise is like riding the teeter-tauter: Believing promises puts you at risk of a hard fall, but breaking promises leaves you alone and unable to play.

(b) Is it ever proper to not tell someone something he or she has a right to know? If so, describe under what circumstances this might be the case. How does this square with Rights Theory? If you believe it is never right to withhold such information, consider the virtue of caring or empathy to evaluate your action.

The conflict of not telling someone something that he may have a right to know is choice between two rights. This situation may cause a person to tell a lie. For example, assume John works in payroll for PQR Inc. PQR has announced that it will be laying off 100 people from its workforce. Due to the need to prepare all the

separation paperwork and final payroll for the employees being laid off, John knows who the 100 employees are. He has sworn to keep the list secret until management has told each of the employees. One of his co-workers is on the list. This co-worker comes to John and asks if she is on the list. She is a single mother and wants to start looking for another job if she needs to do so. How does John choose between his co-worker and the requirements of his job?

If John decides that his co-worker has the right to know the pending lay-off, he may be using the virtue of caring or empathy to justify his action. He will have chosen loyalty to his co-worker over loyalty to his employer. However, since confidentiality and trustworthiness are important principles for accountants, choosing loyalty to his co-worker over his employer could limit his career.

11. Assume you are coming home from the store one day and see a fast moving fire approach your neighbor's house. You notice that the neighbor's car is in the garage. The garage door entrance to the house is locked. You bang on the door and no one answers. You call the neighbor on your cell phone and no one answers. You don't think there is enough time to call the fire department ten miles away before serious damage is done to the house. What would you do next and why?

Using the Golden Rule, what would you want someone to do if it were your house? Would you want the fire department to be notified? You would want to notify the department, and also make sure that your neighbor is not inside the house. In addition, you would want to protect your neighbor's property as much as possible. You may want

to use the garden hose to wet the roof or start a fire break. Depending on the rate of speed of the approaching fire, you may want to notify other neighbors.

12. In the discussion of loyalty in this chapter a statement is made that: “Your ethical obligation is to report what you have observed to your supervisor and let her take the appropriate action.” We point out that you may want to take your concerns to others. Do you think there are any circumstances when you should go outside the company to report financial wrongdoing? If so, to what organization would you go? Why? If not, why would you not take the information outside the company?

Whistle blowing has had a bad name since before Rolf chose his duty to Nazi youth over his affection for the Von Trapp family in the “Sound of Music.” Telling to get someone in trouble is called tattling. Tattling often has the bad reputation due its mean-spirited motivation. Telling to get someone out of trouble is usually the right thing to do. The difference in the two situations above turn on motives and has to consider future versus past harms. Whistle-blowing could stop something which is about to happen or will continue happening. It does matter whether whistle-blowing can change the future and it does matter how important those changes are in the lives of those in peril.

Whistle-blowing is different for Accountants because it violates client trust and break promises the profession has made on behalf of each of its members. Accountants, as professionals, have access to truth and knowledge BECAUSE we as a profession promise that clients can absolutely count on the Accountants not to violate that trust by sharing

secrets. If the profession did not promise confidentiality and our promise was in doubt, clients would try to get professional accounting services while keeping secrets from their accountants. Alternative services would be weak or poor at best.

While there are situations where Professional Accountants have to go outside their chain of command, the whole profession's reputation for reliability is damaged whenever that promise of confidentiality is broken. Whistle blowing for a Professional Accountant is promise breaking. The best justification for breaking promises is what we call an emergency: time sensitive, future changing, no one else can do it and it has to be done situations. It is easier to imagine corporations in its personnel, operations and marketing departments doing dangerous and harmful things that must be stopped in a hurry than in the finance or accounting departments.

There are circumstances where future harm to people who deserve our protection is so great that professional duty is superseded by duty as a human being. There are also circumstances where individual accountants are the only one person who can prevent or reduce that harm by acting. Accountants can almost always trust their supervisors to do the right thing and follow up on what needs to be investigated. If there is honesty, diligence, and adequate time to follow the chain of command, whistle-blowing for financial wrongdoing would not be justified. An organization truly corrupt to its top ought to be a stunningly unusual situation, although recent events might suggest otherwise.

13. In the new age of texting, blogging, tweeting, and updating one's facebook, a variety of new activities have occurred that raise interesting ethical questions. For example, stay-at-home moms that blog often during the day are being wined and dined by giant food companies such as Nestle in return for the unwritten understanding that they will blog positively about company products. In November 2009, Nestle paid to put up sixteen so-called "mommy bloggers" at the posh Langham Huntington hotel in Pasadena, California. These bloggers were treated to a private show at the Magic Castle in Hollywood and sent packages of frozen Omaha steaks to their families to tide them over while the women were away learning all about the company's latest product lines. In return, the virtual sisterhood filed Twitter posts raving about the Nestle's canned pumpkin, Wonka candy and Juicy Juice drinks. Is there anything wrong with these practices? If not, why not? If so, explain what you think may be wrong from an ethical perspective.

Would the blogs from the mommy bloggers raving about new Nestle products be as well received if it was known that the mommies were receiving perks from Nestle? Would consumers feel misled if it was known that they were being paid by Nestle? Isn't this a conflict of interest? Would the mommies be as willing to pan the products after receiving the products and pampering by Nestle? These situations raise questions of honesty and integrity of the bloggers. If the perks are not disclosed and later come to light, the bloggers will have lost creditability and trust. Using the Six Pillars of Character, the bloggers broke an implied promise to tell their opinion of products. This would violate trustworthiness and could lead to a loss of respect.

14. (a) Assume you have been hired by the head of a tobacco industry group to do a cost-benefit analysis of whether the tobacco firms should disclose that nicotine is addictive. Assume this is before the federal government requires such disclosure on all packages of cigarettes. Explain how you would go about determining what are the potential harms and potential benefits of disclosing this information voluntarily. Is there any information you feel can not be included in the evaluation? What is it? Why can't you include it? If you could include it, would it impact your recommendation to the head of the industry group?

Remind Students that the Cost/benefit analysis of this very question was actually considered by tobacco companies and that cost/benefit analysis of tobacco taxation is still being done. Three steps of cost benefit analysis are critical: listing costs and benefits, creating dollar estimates for each cost and benefit, and calculating present value discounting those dollar costs and benefits.

Listing the benefits of revealing the information is easier than assigning dollar numbers to the information. Two big benefits to consider are: (i) benefits to potential smokers who would read the warning and choose not to start smoking and (ii) litigation savings to the company on not being blamed for secrecy or deceit. It is possible that warnings do not deter hardly any smokers. However, a company, or industry, keeping secrets can cost a lot in consumer confidence and trust, and in government and judicial reactions.

Effects on smokers and on employees not feeling guilty might be ones the boss would not want you to consider.

Putting dollar figures on smokers' illness or death is difficult but it must be done.

Whether to include what the company might be sued for, all out of pocket costs of illness, or even psychological costs to relatives of watching slow painful death makes a big difference in the results.

Listing costs of revealing the addiction potential include the out-of-pocket cost of warnings, the loss of sales profits for any smokers who take heed, and the outrage of betrayal by consumers to the other tobacco companies. Being the deadly product seller who tells the truth might cost sales but being the deadly product seller who gets caught in lies and deceit might be much worse. In general, the cover-up is more reacted to than any bad news.

Most critical to the cost benefit analysis is the present value discounting. In the case of smoking dangers, the health risks are discovered and measured after years of smoking or living with smokers. Dead former smokers and second hand smoke victims stay dead for many years that they might have lived, so discounting at a fair present value rate is essential.

(b) Analyze the situation from a rights perspective, justice, and virtue theory. How might these considerations affect your recommendation to the head of the industry group?

Five key rights ought to be considered: Truth, Promises, Personal Property, and Personal Bodily Health and Privacy. Respect for Smokers' autonomy requires that we let intelligent and rational adults make up their own mind one cigarette at a time. Chemical addiction provides an argument for taking away the free choice of even adults, so we often outlaw addictions even from adults. If your body belongs to you and your money belongs to you (assuming you have no duty and have made no promises to your children to raise them, to a spouse to love, or parents to not watch you die) then you ought to be able to make up your own mind.....with full truth available to help you decide. (Plenty of products do not reveal all the possible consequences of the misuse of the product, but other than guns, tobacco is about the only product which kills 33% of the time when used as expected, directed, and intended.)

Justice is often measured as fairness. We might compare tobacco to other products in safety market freedom and requirements of disclosure. Cars might be an example of products which might be partly analogous to tobacco. Cars kill and while we rarely call driving an addiction, it is certainly a habit which on any one occasion is by percentages safe but across large numbers and across time deadly. We argue by fairness that products equally dangerous might be treated differently by earned difference or by needed difference. Slippery slope arguments are made that if tobacco is restricted, red meat and lack of exercise ought to be likewise, but slippery slope arguments can be seen through. Few people die from second hand fatness, and there are healthy amounts of every food. Tobacco has no safe amount and few benefits to earn it a place in the marketplace.

We ought to treat tobacco fairly compared to other drugs or compared to other addictions. We regulate gambling and pornography to protect people who might not be old enough to make up their own minds. A fairness issue certainly ought to be the age of consent. Is eighteen years too old or young? Why?

The key virtues of a disclosure decision are truthfulness, kindness and diligence. The consequences of disclosing the addictive property of a deadly product is the legal liability that results from admitting that the secret had been kept for years. People smoking because the secret was revealed will lead to more blame placed on the tobacco company, and people starting to smoke after the addictive property is revealed will have more of the blame shifted to them for assuming that known risk. If we could claim that we had no idea it was addictive until the day before we disclosed that knowledge, it would help out in court and in public opinion.

The key moral issue is: Respect for autonomy requires that we allow adults to hurt (only) themselves, but addiction negates their free will and thus their right and ability to decide. The moral bankruptcy of tobacco is, knowing nicotine is addictive.

15. Former associate justice of the U.S. Supreme Court, Potter Stewart (1915-1985), said: “Fairness is what justice really is.” How would you interpret this statement in the context of business decision-making?

The chapter discusses how justice emphasizes rights, fairness and equity. Justice Stewart simplifies justice down to fairness. This implies that justice and fairness are the same

thing. If justice achieves fairness, then rights and equity will also have been achieved.

16. How does virtue theory apply both to the decision maker and the act under consideration by that party? Explain.

Virtue theory basically says you are what you do. Goodness is habitual practice of good choices. One might decide what a desired virtue is by looking at people to emulate that virtue or a person might decide what to do by following a chosen virtue. It is a circular theory in that deciding what is right might be defined as what good people do and good people might be defined as people who do those kinds of things.

Aristotle's virtue was success based. Therefore, his virtues are those traits which, when combined with good fortune, allow and promote success. Benjamin Franklin's virtue list is written as if instructions for becoming what he valued becoming. Virtues are defined as success promoting traits that change across time and circumstances in priority. The foundation for Kant's hypothetical imperatives are virtues. The different imperatives are based on different virtues. Virtues of highest importance in one sport, say endurance or hand eye coordination might be less important than rhythm or size in another sport. If you want to succeed at something, then you practice the traits that make you successful.

17. Distinguish between ethical rights and obligations from the perspective of accountants and auditors.

Ethical rights describe how a person is entitled to be treated by another person.

Ethical obligations are the duties to treat others in an ethical manner. Ask students what they think are their rights. Now which of those rights have ethical basis? Have the students make a list of their ethical rights. If a student's ethical right conflicts with the student's ethical obligation, what should a student do? From the perspective of accountants and auditors, obligations to the public are integrity, independence, objectivity, and responsibility. Accountants and auditors have a right to be treated as trained professionals.

18. Assume in the DigitPrint case that the venture capitalists do not provide additional financing to the company even though the adjustments have not been made. The company hires an audit firm to conduct an audit of its financial statements to take to a local bank for a loan. The auditors become aware of the unrecorded \$1 million in accrued expenses. Liza Doolittle pressures them to delay recording the expenses until after the loan is secured. The auditors do not know whether Henry Higgins is aware of all the facts. Identify the stakeholders in this case? What alternatives are available to the auditors? Use the AICPA Code of Professional Conduct and Josephson's Six Pillars of Character to evaluate the ethics of the alternative courses of action.

The stakeholders in the DigitPrint case are the stockholders and employees of the company, the local bank, suppliers and customers of the company. The auditors may try to get Ms. Doolittle and Mr. Higgins to record the expenses; tell the board of directors of the situation; issue a qualified or adverse opinion if the expenses are not recorded; or

they could do as Ms. Doolittle is pressuring them to do. Caving into the pressure from Ms. Doolittle would be unethical and would violate the AICPA principles of integrity, independence, responsibility, public interest and due care. Using these principles and the Six Pillars of Character, the auditors should meet with the board of directors to try and get support for the recording of the expenses. If that fails, then the auditors should issue a qualified or adverse opinion. This would be in keeping of the AICPA principles. Under the Six Pillars of Character, the auditors would be displaying trustworthiness, responsibility, fairness, and citizenship.

19. In their landmark book that was published in 1966, *Ethical Standards of the Accounting Profession*ⁱ, John Carey and William Doherty state that: “The [AICPA] code [of ethics] in effect is an announcement that, in return for the faith which the public reposes in [CPAs], members of the profession accept the obligation to behave in a way that will be beneficial to the public.”

Comment on the meaning of this statement as you understand it.

Carey and Doherty are stating that the AICPA code is an implied contract with the public. The CPA promises to have integrity, objectivity and independence, responsibility, due care and utmost public interest in mind. In return for these promises, the public trusts and has faith in the CPA profession. Scandals over the last decade have shown that CPAs are not meeting their obligations on the promises. A result of the scandals is that the profession has lost some faith and trust of the public.

20. Sir Walter Scott (1771-1832), the Scottish novelist and poet wrote: “Oh what a tangled web we weave, when first we practice to deceive.” Comment on what you think Scott meant by this phrase.

Lies often require stories which seem simple, but if examined, may call for further lies. In some cases, merely remembering a lie is more difficult than remembering the truth. Fiction is filled with stories of one lie leading to others. You might collect a list of those famous stories.
