

WORKING PAPER

No. 03-0³4AC

June 2003

“Using Mini-Cases to Teach Ethics to Accounting Students”

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USING MINI-CASES TO TEACH ETHICS TO ACCOUNTING STUDENTS

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ABSTRACT

Recently there has been increased emphasis on teaching ethics to accounting students, however, there is little guidance in the literature on how this might be accomplished. Analysis presented in this paper suggests that using mini-cases will be an effective way to teach ethics. The paper also provides both a description of mini-cases and suggests how these cases can be created and used.

INTRODUCTION

The purpose of this paper is three-fold:

1. To indicate the perceived need to teach ethics to accounting students.
2. To explain the Mini-Case Method and how to use it.
3. To describe how mini-cases on accounting ethics can be created and used.

During recent years there has been increased emphasis given to the teaching of ethics to accounting students. The American Accounting Association Committee on the Future Structure, Content, and Scope of Accounting Education [The Bedford Commission] [AAA, 1986, p. 179] states that "professional accounting education ... must ... instill the ethical standards and the commitment of a professional." The *Report of the National Commission on Fraudulent Financial Reporting* [The Treadway Commission, 1987, p.83] has stated that, "The independent public accountant's responsibility and accountability to the public requires a much broader exposure to ethics. Business schools should include ethics discussions in every accounting course."

In 1989 the partners of the then Big-Eight accounting firms issued *Perspectives on Education: Capabilities for Success in The Accounting Profession* [Perspectives..., 1989] a statement that also argues for the importance of ethics in the education of accountants. The Accounting Education Change Commission [AECC, 1990] states that one of the intellectual skills needed by accountants is the "(a)bility to identify ethical issues and apply a value-based reasoning system to ethical questions." The AECC also states that as part of accounting knowledge accountants should know the "(e)thical and professional responsibilities of an accountant."

Ethics is of such importance that beginning in 2004 the Texas State Board of Public Accountancy will require all CPA exam candidates to have completed a three semester-hour course in ethics.

Given that the need to teach ethics to accounting students is well recognized, one might wonder why such courses have not become widespread. Langenderfer and Rockness [1989] discuss reasons why accounting academics may be reluctant to include ethics instruction in their courses,

including the observation [p. 61] that "(m)any accounting faculty are hesitant to discuss ethics issues in the classroom because they are not ... certain of their own moral stances."

An instructor willing to include ethics in their course is then faced with the problem of how best to accomplish this. Langenderfer and Rockness [1989] suggest and describe a way to teach ethics by utilizing the case method. Loeb [1988] suggests that a variety of methods in addition to the case study method might be used including lectures, guest lectures (e.g., accounting practitioners), and role playing (i.e., role-playing based on specific case studies). There is as yet no empirical studies that indicate the superiority of one method over the others.

Bok [1976], then president of Harvard University, writing in the aftermath of the Vietnam War and Watergate adds emphasis to the need for the teaching of ethics when he states [p. 26] "It is also widely believed that most of the sources that transmit moral standards have declined in importance. Churches, families, and local communities no longer seem to have the influence they once enjoyed in a simpler, more rural society. ... If other sources of ethical values have declined in influence, educators have a responsibility to contribute in any way they can to the moral development of their students." Regarding pedagogy, he states [p. 30]: "... instructors must know how to conduct a rigorous class discussion that will elicit a full consideration of the issues without degenerating into a windy exchange of student opinion." He concludes [p. 30]: "There is value to be gained from any course that forces students to think carefully and rigorously about complex human problems." It has long been recognized that one aspect of the case method is that it forces students to think carefully and rigorously about the issue under consideration.

MINI-CASES

Any method of instruction that is highly effective is worthy of study and consideration by all teachers, regardless of their subject discipline. Teachers of any subject area where a student's understanding of why they believe as they do is important should find the case method to be of interest, since it illustrates a method of leading students to this awareness.

One drawback of the case method in general is that cases are usually long and complicated, which is an effective way of having students get experience in handling ill-structured situations, but is a relatively inefficient way of instruction, requiring significant out of class preparation and in-class analysis. For teaching ethics, however, a mini-case approach seems preferable. In mini-cases the confounding detail is kept to a minimum; there is no built-in complexity. All that remains is the essence of the situation, allowing it to be studied and evaluated from the student's own ethical perspective. A greater number of situations can be covered and with no out of class preparation.

In following the mini-case method, the teacher guides the students to discover their own beliefs and prejudices about the item at hand. Only in this way can the student understand why they believe as they do. It is this self-analysis that is applicable to the teaching of ethics.

CREATING AND USING MINI-CASES

The primary obstacle to using the mini-case method in teaching ethics is the seemingly lack of existing cases. While there are a few casebooks on accounting ethics (e.g., Mintz, 1990), they usually do not contain mini-cases. One solution has been made available, inadvertently, by the Texas State Board of Public Accountancy. In its Texas State Board Report, the Board includes a section on enforcement actions that are themselves excellent mini-cases relating to ethical violations. These enforcement actions can be written up and used as examples of ethical situations to study and evaluate. Be sure and delete the names and certificate numbers of the CPAs involved!

A few examples follow:

Complaint No.: 96-05-12L and 96-05-13L

Date of Board Ratification: 9/11/97

Disposition: The respondents agreed to a reprimand and to complete a four-hour ethics course by September 30, 1997. The respondents signed a tax return when they knew it was not correct. The respondents also dealt with their client through others in a misleading manner. The respondents violated Sections 21(c)(4) and 21(c)(11) of the Act and Sections 504.41(8) (Discreditable Acts) and 501.42 (Acting through Others) of the Rules.

Date of Board Ratification: 9/19/96

Disposition: The respondent agreed to a reprimand, a limitation on his practice prohibiting him from performing audits, and to reimburse the Board for \$1,573.25 in direct administrative costs. The respondent issued audited financial statements for a charitable entity that received state funds. The statements failed to comply with industry and governmental standards. The respondent issued the financial statements when his license had not been issued for failure to pay his license fees. The respondent violated Sections 21(c)(2), 21(c)(4), and 21(c)(11) of the Act and Sections 501.21 (Competence), 501.22 (Auditing Standards), 501.23 (Accounting Principles), and 501.24 (Other Professional Standards) of the Rules.

Respondent: (Amarillo)

Certificate No.:

Complaint No.:

Date of Board Ratification: 9/11/97

Disposition: The respondent agreed to a reprimand for mailing to the Board a practice unit registration form containing profane language. The respondent violated Sections 21(c)(4) and 21(c)(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.

Respondent:

Certificate No.:

Complaint No.:

Date of Board Ratification: 9/11/97

Disposition: The respondent agreed to the revocation of his certificate and to deliver his certificate to the Board by September 18, 1997. The respondent misappropriated funds from the

account of a client and breached his fiduciary duty to that client. The respondent violated Section 21(c)(2), 21(c)(4), and 21(c)(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.

The above examples and similar ones can be used as in-class mini-cases to be discussed and to allow students the opportunity to examine the underlying ethical issues contained therein.

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