Steven M. Mintz and Roselyn E. Morris, Ethical Obligations and Decision Making in Accounting: Text and Cases

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This book written by Mintz and Morris is a combination textbook and casebook. The authors wrote the book to guide business and accounting students through the minefields of ethical conflicts they will face throughout their careers and to help insure that their post-graduate professional work meets the highest standards of integrity, independence, and objectivity. The book represents a nice blend of ethical reasoning, behavioral ethics, and principles of ethical conduct. The book begins with a theoretical discussion of ethics, values, character, and reputation. Various religious and philosophical foundations of ethics are presented. After studying the first chapter, students will have a solid understanding of the different ethical philosophies and approaches to moral reasoning. Each succeeding chapter becomes more practical with Chap. 2 focusing on cognitive processes and ethical decision making in accounting and business. This chapter discusses the cognitive reasoning and ethical decision making models of Kohlberg and Rest, as well as providing a solid ethical reasoning model that can be used by students as they face ethical dilemmas. Chapter 3 discusses guiding principles involved in creating an ethical environment and good corporate governance system within an organization. As one who teaches corporate governance classes and sits on public company boards of directors, I found this chapter to be very useful. Chapter 4 introduces the AICPA’s Code of Professional Conduct. The chapter does a nice job discussing various business crises, the profession’s reactions to those crises, and why the AICPA’s code emerged the way it did. Chapter 5 discusses fraudulent financial statements and auditors’ responsibilities. The chapter introduces many of the landmark fraud cases, the evolution of the PCAOB and other rule-making bodies and exactly what the auditor’s opinion means when it states that the financial statements “present fairly” an entity’s financial position, results of operations, and cash flows. As one who has been an expert witness in many fraud cases and who teaches dedicated fraud classes, I examined this chapter carefully looking for errors or misjudgments and found none, further evidence that this book is accurate, well referenced and clearly written. Chapter 6 covers the legal, regulatory, and professional obligations of auditors. Topics such as confidentiality, whistleblowing, business judgment (including the concepts of due care, loyalty, and good faith), and the legal liability of auditors are covered in detail. Chapter 7 covers earnings management and earnings quality. The authors do a nice job separating acceptable earnings management from unacceptable earnings management. Chapter 8 discusses ethics and corporate governance in international settings and in international financial reporting. Bribery, illegal acts, foreign company fraud, international corporate governance, and a global code of ethics are discussed in this chapter.

Throughout the book, the basic ethical concepts of norms, values, ethical relativism, situational ethics, cultural values, teleology, deontology, justice, and virtue ethics are woven into the discussions of the professional topics discussed. The book’s framework is thorough yet easy to understand; theoretical yet practical. The extremely well written and summarized cases, examples, and academic references that help students understand the background of the material written and apply the concepts learned are great strengths of the book. Students who study from this book will have a much stronger ethical basis to help them cope with the myriad of dilemmas and challenges they will
face throughout their careers. And, they will have a plethora of cases, references and dilemmas to reconsider if they want further study on the topic. To enrich the learning experience, the authors begin each chapter with an “ethical reflection,” a case that sets the tone for the chapter. Throughout the chapters, they have many examples of values and mission statements, codes of conduct, statistics, exhibits, and other real examples and facts that show how organizations are trying to apply the concepts being taught in the chapters. These additions make the book a very nice combination of theory and practice.

One of the book’s great strengths is its excellent cases. The first seven chapters include 10 cases each, many of them famous ethical cases where accountants, executives, and corporate directors have been sued or held liable for their decisions and actions. I have personally been an expert witness in several of the cases covered in the book and so I studied the authors’ treatment of these cases in detail. Their write-ups were always accurate, presented in an interesting manner and provided great references for further study by students. The accuracy of the cases led me to follow up on several of the references cited in the chapters which I also found helpful. My conclusion after reading the book, examining in detail some of the cases and reading the 20 discussion questions per chapter was that this book would work equally well as a stand-alone ethics text or as an excellent supplement in auditing, corporate governance, financial reporting, or other business and accounting classes.

Whenever I review a book, I always ask myself the question of how I would use it. If I were teaching a stand-alone business or ethics course, with this book I would probably do the following:

1. Never lecture on the chapters because they are extremely well written and easy for students to understand. I would probably highlight a few of the exhibits, codes, values statements, and statistics that are in the chapters but would not spend much time in class lecturing on the material in the book.

2. I would pick one or two cases for each class and assign them to students. I would probably have students present about half of the cases with me introducing the other half. In covering the cases in class, I would push students hard to use the concepts in the chapters (the ethical models, various moral reasoning guidelines, etc.) to support their decisions. I would try hard to pit the students against each other as they discuss and debate the ethical issues and would not tip my hand until the class was almost over. I would require every student who responds to defend not only the decision he or she made but to explain why his or her’s is the best decision.

3. I would do all I could to make the students uncomfortable with the cases, emphasizing the real-world nature of the cases and the potential for them to be required to make similar difficult decisions.

4. At the end of class I would require students to vote to see how they lined up on the issues in the case before I ever let them know how I felt about the case.

5. I would probably use one of the six major ethics cases for both the midterm and final exam. These cases are comprehensive in nature and would require the students to not only apply what they have learned but to also take ethical positions. Often, there may not be a correct answer; rather, I would grade them on their logic, reliance on moral reasoning, and ethical and behavioral models, and the completeness of their arguments.

On the other hand, if I were using this book for a supplemental text in an auditing, financial reporting, corporate governance, or other class, I would use the resources and principles in the text as well as the cases to enrich my teaching of ethical subjects and dilemmas. I would use the material presented in the chapters to teach ethical concepts and the cases to challenge their ethical foundations, ability to adapt their base-level ethics to different business settings, their ethical courage to make tough, ethical decisions even when personal or organizational loss is involved, and their ethical leadership. In the final analysis, most students will forget the content they learn in our classes. What they will remember are the experiences they had and the way they felt in your classroom. If you can teach them to make ethical and moral decisions, regardless of the cost to them personally or to their organizations, they will be richly rewarded throughout their careers. This book will go a long way toward helping provide students with the perspectives and backgrounds they need to have integrity and be objective, fair, and independent. It will help them develop moral courage to become ethical leaders. I strongly recommend this book as a great resource for cases and to understand ethical decision making. Every student who goes through a business school needs exposure to this text or one like it.