



ACT560: ACCOUNTING ETHICS

Credit Hours: 3

Contact Hours: This is a 3-credit course, offered in accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 14-20 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

Faculty Information: Faculty contact information and office hours can be found on the faculty profile page.

COURSE DESCRIPTION AND OUTCOMES

Course Description:

The professional issues surrounding ethics and standards in the field of accounting are extensive and of heightened import considering the high-profile financial scandals of recent years. These scandals in large part involved some degree of fraudulent accounting, eroding trust in the profession. Beyond that, these events had tremendous negative impact on the economic health of the United States and the world. In this course, students will study and discuss issues of professional integrity and ethical reasoning, objectivity, independence, and how these elements are matched to real-world situations. Extensive use of case studies allows students to apply their understanding to realistic scenarios. Accounting within the context of corporate management, the AICPA's Code of Professional Conduct, legal liabilities, the nature and the temptation of fraud, financial reporting, and international accounting issues are all examined.

Course Overview:

This course explores the broad range of ethical issues faced by accounting professionals in the workplace. Several of the most prominent ethical theories are studied to equip students with the necessary framework to make right decisions. Topics such as ethical sensitivity, corporate social responsibility, fraud, and earnings management are covered to help students diagnose a situation, make proper judgments, and follow through in action. Several case studies are covered to insert students into real world ethical dilemmas. A strong focus on the AICPA Code of Professional Conduct provides insight into the ethical principles which govern the accounting profession.

Course Learning Outcomes:

1. Discuss responses to ethical business dilemmas in various business situations.
2. Explain moral obligations to the accounting profession and employer.
3. Develop a set of core values to apply to organizational decision making
4. Demonstrate social and professional relationships management when independence is compromised.

PARTICIPATION & ATTENDANCE

Prompt and consistent attendance in your online courses is essential for your success at CSU-Global Campus. Failure to verify your attendance within the first seven days of this course may result in your withdrawal. If for some reason you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

COURSE MATERIALS

Required:

Klein, G. (2016). *Ethics in accounting: A decision-making approach*. Hoboken, NJ: John Wiley & Sons, Inc.

- ISBN: 978-1-118-92833-2
- E-Text: ISBN: 978-1-118-93904-8

NOTE: All non-textbook required readings and materials necessary to complete assignments, discussions, and/or supplemental or required exercises are provided within the course itself. Please read through each course module carefully.

COURSE SCHEDULE

Due Dates

The Academic Week at CSU-Global begins on Monday and ends the following Sunday.

- **Discussion Boards:** The original post must be completed by Thursday at 11:59 p.m. MT and peer responses posted by Sunday at 11:59 p.m. MT. Late posts may not be awarded points.
- **Critical Thinking:** Assignments are due Sunday at 11:59 p.m. MT.
- **Live Classroom:** Although participation is not required, Live Classroom sessions are held during Week 2 and Week 6. There are two total sessions.

WEEKLY READING AND ASSIGNMENT DETAILS

Module 1

Required Readings

- Chapter 1 & 2 in *Ethics in Accounting: A Decision-Making Approach*
- Bobek, D. D., Dalton, D. W., Daugherty, B. E., Hageman, A. M., & Radtke, R. R. (2017). An investigation of ethical environments of CPAs: Public accounting versus industry. *Behavioral Research in Accounting*, 29(1), 43-56.

- Larkin, M. B., Bernardi, R. A., & Bosco, S. M. (2013). Does female representation on boards of directors associate with increased transparency and ethical behavior? *Accounting & the Public Interest*, 13(1), 132-150.

Discussion (25 points)

Critical Thinking (75 points)

Option #1: Understanding Kohlberg's Stages of Moral Development

Read the Case Study: Public Practice – Nobody Follows the Rule.

Every accounting firm has its approach to ethical situations with clients and employees. Dave Gordon, FCA, Senior Partner was to advise the incumbent auditor on the financial situation at a client. He has been noticing that many of the other partners in his firm are not following the rules with respect to transitioning to a new client.

Evaluate the case study to assess ethical reasoning using Kohlberg's Stages of Moral Development from Dave Gordon's point of view.

Include in your evaluation:

1. Using Rest's Four Component Model describe which components were actually present in this case and where the failures occurred.
2. How could Dave use Rest's model to make ethical decisions?
3. According to Kohlberg's theory, which stages are present in the decision-making process?
4. How might a better understanding of Kohlberg's theory help this situation?
5. Can Dave justify the loss of business as a right decision in view of firm goals?

Requirements:

- Write a paper of 4-5 pages in length, not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 1 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: Lemon, W. M. (n.d.) *Public practice – Nobody follows the rule*. Waterloo, Ontario, Canada: University of Waterloo. Retrieved from <https://uwaterloo.ca/centre-for-accounting-ethics/resources/ethics-teaching-cases/public-practice-nobody-follows-rule>

Option #2: Reflecting on Ethics (75 points)

Read Bargerstock, A., & Shi, Y. (2014). Watson Water Technologies: An ethical dilemma in the workplace. *Strategic Finance*, 96(1), 48-52.

Review and provide a written summary of the article completing the following requirements:

1. Describe and evaluate the situation at Watson Water Technologies.
2. Explain the dilemma in which Melissa finds herself.
3. What pressures were being felt by Tom based on the conversation she overheard in the break room?
4. How might these pressures have led Tom to make the decisions he made?
5. What pressures are being felt by Melissa?
6. How might Rest's Four Component Model come into play regarding Melissa's path forward (especially the third and fourth components)?

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 1 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Module 2

Required Readings

- Chapter 3, 4 & 5 in Ethics in Accounting: A Decision-Making Approach
- Hurley, P. (2017). Why consequentialism's "compelling idea" is not. *Social Theory & Practice*, 43(1), 29.
- Timmermann, J. (2015). V-what's wrong with 'deontology'? *Proceedings of the Aristotelian Society (Paperback)*, 115(1pt1), 75-92.

Discussion (25 points)

Live Classroom (0 points)

Critical Thinking (75 points)

Option #1: Deontological Study (75 points)

Read Xu, Z., & Ma, H. (2016). How can a deontological decision lead to moral behavior? The moderating role of moral identity. *Journal of Business Ethics*, 137(3), 537-549. doi:10.1007/s10551-015-2576-6

Review and provide a written summary of the paper completing the following requirements:

What were the authors seeking to clarify in this article?

1. Describe an "integrated approach" to ethical decisions.

2. How did the authors attempt to build upon Kohlberg's theory?
3. What were the demographics of the sample?
4. What was the conclusion of the study?
5. What would be a possible follow-up study that could enhance the subject?
6. After reading this study, how do the conclusions affect your ethical framework?

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 2 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Option #2: Exploring Cognitive Processes (75 points)

Review the Case Study: The Ethical Dilemma at Northlake.

For this Critical Thinking Assignment, please respond to the case study in a Word document.

1. Describe how virtue ethics and egoism ethical theories might be used in this scenario.
2. What problems might be caused by using either of these theories?
3. Explain which theory you would suggest for Frank and why.
4. Can you think of another Ethical Theory that might apply?
5. With Jean Letourneau, how would virtue ethics be a helpful guide?
6. Describe the impact on stakeholders of Northlake (especially employees and the community).

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least Three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 2 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: (n.d.) *The ethical dilemma at Northlake*. Waterloo, Ontario, Canada: University of Waterloo. Retrieved from <https://uwaterloo.ca/centre-for-accounting-ethics/resources/ethics-teaching-cases/ethical-dilemma-northlake>

Module 3

Required Readings

- Chapter 6 in *Ethics in Accounting: A Decision-Making Approach*
- Hough, C., Green, K., & Plumlee, G. (2015). Impact of ethics environment and organizational trust on employee engagement. *Journal of Legal, Ethical & Regulatory Issues*, 18(3), 45-62.

Discussion (25 points)

Critical Thinking (75 points)

Option #1: Case Study, Atlas Cold Storage Inc (75 points)

Review the Case Study: Atlas Cold Storage Inc.

Cheating occurs at many levels within a firm. In the case study, the president engaged in several questionable activities with the company's financial statements. What might have been the ethical decision that Ernst & Young (E & Y) faced with the client?

After reading the charges made by the OSC, explain how a deontological approach may have helped avoid each charge.

1. What are the duties of management and ownership in regard to the stakeholders of Atlas? In what ways did management fail?
2. What items should have been noticed by the auditors?
3. Describe any specific internal controls that might have prevented this situation.

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 3 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: Boritz, J. E., & Robinson, L. A. (n.d.) *Atlas Cold Storage Inc*. Waterloo, Ontario, Canada: University of Waterloo. Retrieved from https://uwaterloo.ca/centre-for-accounting-ethics/sites/ca.centre-for-accounting-ethics/files/uploads/files/atlas_cold_storage_case.pdf

Option #2: Exploring Ethics in the Workplace (75 points)

From this week's required readings, review Hough, C., Green, K., & Plumlee, G. (2015). Impact of ethics environment and organizational trust on employee engagement. *Journal of Legal, Ethical & Regulatory Issues*, 18(3), 45-62.

Review and provide a written summary of the article completing the following requirements:

1. Discuss how the company you work for (or if you are not currently employed, use a past employer) addresses ethical issues.
2. Does the firm have a formal code of ethics?
3. Is there a stated policy regarding bribery?
4. Do employees trust upper management—why or why not?
5. What recommendations would you make (based on the content of Modules 1-3) to leadership to improve trust and foster a healthy ethical environment?

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 3 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Module 4

Required Readings

- Review Chapter 1, 2, 3, 4, 5, & 6 in *Ethics in Accounting: A Decision-Making Approach*
- Rigos, J. J. (2015). The AICPA's new ethics code. *CPA Journal*, 85(2), 64.

Discussion (25 points)

Critical Thinking (75 points)

Option #1: Case Study: A Small Matter of Trimming (75 points)

Read the Case Study: A Small Matter of Trimming.

Cheating occurs in different forms. In the case study, Tracy and Denise need to provide a recommendation on a stocking fee for large and small Breweries.

What was Denise's and Tracy's ethical justification to go along with stocking fee?

- What could "fixing the data" have done to foster and create an ethical environment?
- What might be the cheating signal in the company that would make deontology or utilitarianism ethical theories effective?
- What might be the duty to the client that Denise and Tracy have?

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 4 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: Russel, G., & Kennedy, D. (n.d.) *A Small Matter of Trimming*. Waterloo, Ontario, Canada: University of Waterloo. Retrieved from <https://uwaterloo.ca/centre-for-accounting-ethics/resources/ethics-teaching-cases/small-matter-trimming>

Option #2: Case Study: Bonnie Morgen: First Day on the Job and Facing an Ethical Dilemma

Read the Case Study: Bonnie Morgen: First Day on the Job and Facing an Ethical Dilemma.

Review and provide a written summary completing the following requirements:

1. Describe the ethical dilemma Bonnie is facing in her first day on the job.
2. Describe the essential accounting issue at stake in her dilemma.
3. How has the overall environment of the organization played a role in creating this dilemma?
4. Knowing Bonnie's past working relationship with the CFO (Ed) and her direct report to Bill, what would you prescribe as next steps for Bonnie?
5. How might Bill's intimidating personality influence Bonnie?
6. Use the ethical theory you think would be most helpful in this situation and describe how it might guide Bonnie.

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 4 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: Lamberton, B. (2018) Bonnie Morgen: First day on the job and facing an ethical dilemma. *IMA Educational Case Journal*, 11(1), 1-2.

Portfolio Milestone (25 points)

Options #1 & #2: Project Outline

Submit a draft of the project outline. This submission should include the complete outline and a summary of the proposed paper.

Submit your assignment with a title page formatted according to the CSU-Global Guide to Writing and APA.

Module 5

Required Readings

- Chapter 7 and 8 in *Ethics in Accounting: A Decision-Making Approach*
- Albrecht, C., Holland, D., Malagueño, R., Dolan, S., & Tzafrir, S. (2015). The role of power in financial statement fraud schemes. *Journal of Business Ethics*, 131(4), 803-813.
- Kassem, R., & Higson, A. W. (2016). External auditors and corporate corruption: Implications for external audit regulators. *Current Issues in Auditing*, 10(1), 1-10.
- Kulikova, L. I., & Satdarova, D. R. (2016). Internal control and compliance-control as effective methods of management, detection, and prevention of financial statement fraud. *Academy of Strategic Management Journal*, 15, 92-103.

Discussion (25 points)

Critical Thinking (75 points)

Option #1: Case study: Nortel Networks Corporation (75 points)

Read the Case Study: Nortel Networks Corporation: Ethical Missteps.

After reading the case study, describe the ethical breach that was entered into by leadership at Nortel.

1. Use the three components of the Fraud Triangle to evaluate the actions of the leadership.
2. Describe how the tone at the top contributed to this fraudulent activity.
3. How did the Audit Committee and Board fail in their responsibilities?
4. Describe how various stakeholders (employees, stockholders, and the community) would have been affected by the actions of those in leadership.

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.

- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 5 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: Robinson, L. (2005) *Nortel Networks Corporation: Ethical Missteps*. Waterloo, Ontario, Canada: University of Waterloo. Retrieved from https://uwaterloo.ca/centre-for-accounting-ethics/sites/ca.centre-for-accounting-ethics/files/uploads/files/nortel_case.pdf

Option #2: Peer-Reviewed Paper (75 Points)

Read Kassem, R., & Higson, A. W. (2016). External auditors and corporate corruption: implications for external audit regulators. *Current Issues in Auditing*, 10(1), P1-P10. doi:10.2308/cia-51391

Kassem and Higson described in detail the role of external auditors.

1. Using the AICPA Code of Professional Conduct, describe how this would be a guide to auditors in daily work.
2. The AICPA Code of Professional Conduct contains an emphasis on Integrity and Objectivity. How do these specific principles inform the role of the auditor?
3. How does the Independence principle guide the audit team? Speak to independence in regard to fellow auditors, audit team leaders, and relationships with the client.
4. What are the connections between the recommendations of the authors and the AICPA Code of Professional Conduct?

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 5 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Module 6

Readings

- Chapter 9, 10, & 11 in *Ethics in Accounting: A Decision-Making Approach*
- Guénin-Paracini, H., Malsch, B., & Tremblay, M. (2015). On the operational reality of auditors' independence: Lessons from the field. *Auditing: A Journal of Practice & Theory*, 34(2), 201-236.
- Kaya, H. D., & Banerjee, G. (2015). The short-term and long-term impacts of Sarbanes-Oxley Act on independence and compensation of corporate board of directors. *Journal of Global Business Issues*, 9(1), 1-9.

- Roy, M. N., & Saha, S. S. (2016). Relationship of statutory auditors' competence and independence with audit quality. *Vilakshan: The XIMB Journal of Management*, 13(1), 61-80.

Discussion (25 points)

Live Classroom (0 points)

Critical Thinking (75 points)

Option #1: Case study: Ethical Choices at Choice House (75 points)

Read the Case Study: Ethical Choices at Choice House.

1. Describe the case briefly and the essential accounting issues at stake at Choice House.
2. Using the COSO Internal Control—Integrated Framework Executive Summary, describe the internal control weaknesses. Provide your recommendation for how to tighten up the controls for Choice House based on the COSO summary.
3. Provide your recommendations for Ashley to move forward with this difficult situation. Apply any relevant ethical theories in your recommendation.

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 6 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Reference: Weller, P. M., Poulson, L. L., & Nienhaus, B. J. (2017) Ethical choices at Choice House. *IMA Educational Case Journal*, 10(3), 1-4.

Option #2: Auditor Competence (75 points)

Read Roy, M. N., & Saha, S. S. (2016). Relationship of statutory auditors' competence and independence with audit quality. *Vilakshan: The XIMB Journal of Management*, 13(1), 61-80.

After reading the article above, and address the following:

1. Provide a brief summary of the research performed in this article.
2. Explain the conclusions and recommendations of the authors.
3. What elements of virtue ethics, deontology, and/or consequentialism do you see in this article? Are there any principles from these theories that could benefit audit competence? How?
4. Explain how this article impact your work as an accounting professional.

Requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least 5 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Module 6 Critical Thinking Rubric** for full details on how you will be graded on this assignment.

Portfolio Milestone (25 points)

Options #1 & #2: Project References

Submit a proposed references section of the paper to the instructor. At this point, you should have established the list of references to support the content of the paper. Be sure to include a minimum of five references based on the source documents that you will use in the final Portfolio Project due at the end of Module 8. The sources must include the AICPA Code of Professional Conduct and COSO Internal Control Framework which are required for the project.

Submit your assignment with a title page formatted according to the CSU-Global Guide to Writing and APA.

Module 7

Readings

- Chapter 12, 13, & 14 in *Ethics in Accounting: A Decision-Making Approach*
- Hegazy, M., Al Sabagh, A., & Hamdy, R. (2015). The effect of audit firm specialization on earnings management and quality of audit work. *Journal of Accounting & Finance (2158-3625)*, 15(4), 143-164.
- Qiang, C., Jimmy, L., & Shevlin, T. (2016). Internal governance and real earnings management. *Accounting Review*, 91(4), 1051-1085.

Discussion (25 points)

Module 8

Readings

- Review Chapters 1-14 in *Ethics in Accounting: A Decision-Making Approach*
- Evans, M. E., Houston, R. W., Peters, M. F., & Pratt, J. H. (2015). Reporting Regulatory Environments and Earnings Management: U.S. and Non-U.S. Firms Using U.S. GAAP or IFRS. *Accounting Review*, 90(5), 1969-1994. doi:10.2308/accr-51008
- Lopes, A. B., Walker, M., & da Silva, R. M. (2016). The Determinants of Firm-Specific Corporate Governance Arrangements, IFRS Adoption, and the Informativeness of Accounting Reports: Evidence from Brazil. *Journal of International Accounting Research*, 15(2), 101-124. doi:10.2308/jiar-51532

Discussion (25 points)

Portfolio Assignment (350 points)

Option #1: Case Study (350 points)

Here's the role you are playing in this Case Study:

You graduated from CSU-Global with a Master of Professional Accounting degree.

You earned your CPA credential from the state of Oklahoma; you applied and were accepted by the AICPA. After working in the field for years, you are now a qualified auditor and you recently joined Skylar, Morgan and Anderson Accounting Firm (SM&A).

First review the case study, and then answer the questions that follow.

Here's an outline of this Case Study:

This year, Oklahoma Natural Solutions (ONS) was preparing for the end-of-year audit plan, procedures and opinion for the annual 10K report. SM&A was selected as the public audit firm that will prepare the annual audit plan, assessment, audit procedures and opinion.

ONS is trading on NASDAQ for \$9.00 per share. Two years ago, ONS had a \$25.00 per share value. ONS has a market float value of \$100 million. The main stockholders are pension funds, state retirement funds, hedge funds in the oil sector, and thousands of individual stockholders. Last year, ONS had earnings per share (EPS) of \$2.00 and paid cash dividends of \$1.50 per share. The company has been under tremendous pressure to raise the stock price. However, the oil and gas marketplace has been very difficult with West Tennessee Intermediate (WTI) at \$47.00 per barrel and the natural gas well price at \$3.05 cubic foot at Henry Hub in Kansas. Henry Hub has nine major gas pipelines converging to supply gas at the location in Oklahoma. Most of this natural gas product is shipped by ONS to the northeast. ONS mostly has gas wells in the Lakeland Shale play area of Oklahoma.

Background of ONS top Leadership:

- **Chairman of the Board:** Alexander Fred, age 65. He has been with the company for 40 years and was part of original group of individuals that started the company.
- **CEO:** Patrick Fred, age 42, son of the chairman. Family owns 36% of all common stocks and 90% of preferred Stock A.
- **CFO:** Melinda Jones, age 38, a CPA who has been with the company since she was 22 years old. Ms. Jones worked her way up through the organization. She is well liked by the chairman, Alexander Fred. Ms. Jones is a member of the AICPA and the State of Oklahoma CPA organization.
- **VP Production:** Roger Rock, age 44, a petroleum production person; oil is in his veins. Received his Petroleum Engineering Degree from Texas A &M. Has been with the company just one year. Prior to joining ONS, he worked for Chevron for over 20 years.

- **Treasurer:** Mrs. Hanna Hemp, age 36. She joined the firm just six months ago. Worked for a hedge fund in the Boston area for 15 years. Considered a team player by the chairman, Alexander Fred.

Audit subcommittee from Board of Directors:

- Mr. James Fernandez, 63. He is on the BOD. College roommate of Alexander Fred. Mr. Fernandez has a CPA from Northern Kentucky.
- Mr. Bill Fideo, financial expert on the committee, age 27. Just joined the board less than six months. He has never before been a member of the Board of Director (BOD) or been on the audit committee with any company. He is currently on the BOD. He earned his CPA from Southern Oklahoma Tech.

Public Audit firm: Skylar, Maryland, & Anderson

Location of office: Swayzee, Oklahoma.

Partner in Charge, Ms. Loise Maryland. Partner with 25 years' of experience in the oil and gas industry.

Accounting Audit Supervisor assigned to ONS, Ms. Sarah Diamond. She has audit experiences with 15 years in the petroleum marketplace.

Audit accountants assigned to the client, ONS: Ms. Lisa Lang, two years' experience; Mr. Andy Anderson, 18 months of experiences; Mr. Arnold Hernandez, one year of experiences.

SM&A won the bid process to perform the audit of ONS. The bidding was extremely competitive among five firms. The partners with the public accounting firm are hoping to have ONS as a client for the next five years. The public accounting firm has been losing customers to regional accounting firms in the last three years.

Ms. Maryland lives in a 5,000-sq. foot home in Oak Hill Country Club. Her husband loves to play golf. He does not have employment with any firm. Ms. Diamond loves working for Ms. Maryland and she would do anything for her. They are extremely close.

Situation:

This year's audit plan started out fine with cooperation between management and the audit firm. However, during the first quarter review, revenue numbers appeared to be higher in the vertical and horizontal analytics on previous quarters and the annual financial statement. The audit team meet to discuss the impact but could not find any negative or accounting entries earnings management numbers. Ms. Maryland and Ms. Diamond requested a meeting with Ms. Jones, CFO. In the meeting, Mrs. Jones informed the audit team that everything was fine. They booked some good sales in the quarter.

ONS management behind the scenes:

Sales have been flat for this year compared to last year. Natural gas well prices are trending downward at Henry Hub. The average revenue gas well per cubic foot price in the last year was \$3.50. In this year, the Henry Hub gas well price is around \$3.05. Gas volume is only 5% higher.

In a recent closed meeting, Patrick Fred and Alexander Fred suggested that Ms. Jones be creative and aggressive in booking revenue. No record was kept of the conversation. Ms. Jones said she knew what to

do. Mr. Alexander Fred said having positive revenue would create a positive environment for the ONS stock versus other companies of similar size in the marketplace. In the meeting, Ms. Jones said nothing about integrity or the duty to stockholders. She simply kept quiet on the issue.

Questions

1. Using the AICPA Code of Professional Conduct, describe how this was either applied, misapplied, or completely ignored.
2. Using the COSO Internal Control—Integrated Framework Executive Summary, describe the internal control weaknesses. Provide your recommendation for how to tighten up the controls for ONS based on the COSO summary.
3. Explain some of the actions of ONS leadership and the audit team based on the Fraud Triangle.
4. Using a virtue ethics approach, explain the shortcomings and describe how these principles could have benefited SM&A?
5. How would the duty-based concepts of deontology have been applied to this situation from both ONS and SM&A?
6. Describe how ONS and SM&A might have altered their choices if they would have been operating in the mode of transparency and in the best interest of various stakeholders (stockholders, community, employees, creditors)?
7. How might the consequentialism ethical theory have been expressed and practiced by Patrick and Alexander Fred?
8. What could be the quantitative and qualitative benefits and costs for Mrs. Melinda Jones to follow the request?
9. What might be the criminal and punitive damages under SOX to upper management if they certify this year's financial statements?

Requirements:

- Your written paper should be 8-10 pages in length not counting the title and reference pages, which you must include.
- Integrate concepts, terms, and theories from the readings and modules contents.
- You need to cite at least 5 sources for this portfolio project, outside of the textbook. Four of these sources must come from academic journals. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Portfolio Project Rubric in Module 8** for full details on how you will be graded on this assignment.

Option #2: Development of an Ethics Foundation: Case Study-Media Tech, Inc. (350 points)

Identify the issues, define your ethical decision making model and ethical theory, explain the options and consequences, and pick the solution you would choose and why for the following situation:

Laura, controller and CPA, has been working hard to finish the year-end financial statements for Media Tech, Inc.

Media Tech Inc. provides social media relationships between users by focusing on up-to-the-minute communications on events—kind of like Instagram. This year is critical for the firm. The company is expected to make a profit after five years of product development and losses. In working to complete the year-end financials, Laura finds out that the figures are not logical. In fact, it seems that the company has overstated assets and income by \$300 million. Based upon the brief investigation that she has been able to complete; it seems that both the CEO and CFO have signed and approved some documents that have inflated the numbers. The documents indicate a realization and recording of social media customer valuation of future sales into the present accounting period. Every social media customer for the firm generates advertising revenue equal to \$5.00 per year. The documents indicate that the Social Media customer revenue for the year was increased to \$7.00 per customer. The incremental revenue was booked on December 30. This leads to an increase in revenue of \$300 million and accrual long term account receivable of \$300 million.

Laura is pressured by time (a filing deadline of tomorrow to get the financial information finalized and printed for the shareholders' meeting) and the following other considerations:

- The shareholders have been promised by the founders of the firm that an Initial Public Offering (IPO) of the company will be done within the next year. Morgan Stanley has been hired to provide the financial advice on the IPO issuance. The benefits to the stockholders are in the millions.
- Laura is a go-getter; she wants to succeed in the company. She sees herself as a CFO in the future. Laura has been with the company for five years. She was one of the first employees hired. She has had excellent annual performance reviews. Upper management sees Laura as part of the team.
- Laura is a CPA. She has joined the State CPA organization and the AICPA organization. She has viewed and passed the AICPA Code of Professional Conduct Certification.
- Laura has personal pressures since she recently bought a new \$500,000 house using all her savings as a down payment of \$100,000. Further, her husband recently has taken an unpaid leave from his job due to a difficult illness and medical bills are mounting. He fell at work and needed serious back surgery. He needs special nursing care during the day. Laura helps at night as much as she can.
- The banks have been patient in providing lending to High Tech, Inc., during the rough times but will declare the loans in default and demand immediate repayment if the numbers are not near break-even.

Answer the following questions:

1. Using the AICPA Code of Professional Conduct, describe how this was either applied, misapplied or completely ignored. How would this code help Laura in her decision?
2. Using the COSO Internal Control—Integrated Framework Executive Summary [Insert pdf here], describe the internal control weaknesses. Provide your recommendation for how to tighten up the controls for Media Tech based on the COSO summary.

3. Explain some of the actions of Media Tech leadership and the audit team based on the Fraud Triangle. Explain how Laura is being pressured in this situation.
4. Using a virtue ethics approach, explain the shortcomings and describe how these principles could have benefited Media Tech?
5. How would the duty-based concepts of deontology help Laura in her decision?
6. Describe how Media Tech might have altered their choices if they would have been operating in the mode of transparency and in the best interest of various stakeholders (stockholders, community, employees, creditors)?
7. How might the consequentialism ethical theory have influenced the decision by the CEO and CFO?
8. What might be the criminal and punitive damages under SOX to upper management if they certify this year's financial statements?
9. What could be the result for Laura if she goes along with the current statement? What could be the result if she opposes leadership?
10. What are your final suggestions to Laura?

Requirements:

- Your written paper should be 8-10 pages in length not counting the title and reference pages, which you must include.
- Integrate concepts, terms, and theories from the readings and modules contents.
- You need to cite at least 5 sources for this portfolio project, outside of the textbook. Four of these sources must come from academic journals. The CSU-Global Library is a great place to find resources.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need help formatting, writing, or doing research the CSU-Global Writing Center can help!

Review the **Portfolio Project Rubric in Module 8** for full details on how you will be graded on this assignment.

COURSE POLICIES

Grading Scale	
A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below

Course Grading

20% Discussion Participation
45% Critical Thinking Assignments
35% Final Portfolio Project
0% Live Classroom

IN-CLASSROOM POLICIES

For information on late work and incomplete grade policies, please refer to our [In-Classroom Student Policies and Guidelines](#) or the Academic Catalog for comprehensive documentation of CSU-Global institutional policies.

Academic Integrity

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, fabrication, facilitating academic dishonesty, plagiarism, reusing/repurposing your own work (see CSU-Global Guide to Writing & APA for percentage of repurposed work that can be used in an assignment), unauthorized possession of academic materials, and unauthorized collaboration. The CSU-Global Library provides information on how students can avoid plagiarism by understanding what it is and how to use the Library and internet resources.

Citing Sources with APA Style

All students are expected to follow the CSU-Global Guide to Writing & APA when citing in APA (based on the most recent APA style manual) for all assignments. A link to this guide should also be provided within most assignment descriptions in your course.

Disability Services Statement

CSU-Global is committed to providing reasonable accommodations for all persons with disabilities. Any student with a documented disability requesting academic accommodations should contact the Disability Resource Coordinator at 720-279-0650 and/or email ada@CSUGlobal.edu for additional information to coordinate reasonable accommodations for students with documented disabilities.

Netiquette

Respect the diversity of opinions among the instructor and classmates and engage with them in a courteous, respectful, and professional manner. All posts and classroom communication must be conducted in accordance with the student code of conduct. Think before you push the Send button. Did you say just what you meant? How will the person on the other end read the words?

Maintain an environment free of harassment, stalking, threats, abuse, insults, or humiliation toward the instructor and classmates. This includes demeaning written or oral comments of an ethnic, religious, age, disability, sexist (or sexual orientation), or racist nature; and the unwanted sexual advances or intimidations by email, or on discussion boards and other postings within or connected to the online classroom.

If you have concerns about something that has been said, please let your instructor know.