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John Koeplin

University of San Francisco, koeplin@usfca.edu

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An Exploration Of Values And Ethical Choices Of Accounting Students

John P. Koeplin, (Email: koeplin@usfca.edu), University of San Francisco

Abstract

An individual's ethical and economic values impact his decision processes when faced with resolving certain dilemmas. The primary issue of this research is to examine the relationship between accounting students' ethical and economic values and their responses to business dilemmas. Additionally, this study attempted to see if senior accounting students responded with more ethical responses to the dilemmas than did lower-division accounting students.

A measure of ethicality proposed by McCarthy (1997) was compared with subjects' ethical responses to the business dilemmas. No correlation between the students' measure of ethicality and the number of ethical responses to business dilemmas was found. Results did indicate that senior students exhibited a greater ethicality measure than lower-division accounting students. Additionally, senior-accounting students respond with marginally more ethical responses than lower-division accounting students.

These findings indicate that, analogously to cognitive moral development, ethical value development arguably is occurring in accounting students. A contribution of this study is the use of the Rokeach value survey and eight business dilemmas to assess accounting student's ethical value development. The Rokeach measures the student's relative ranking of eighteen different values, including ethical and economic values. The business dilemmas measure the students' ethical and economic responses to situations they could face in their lives. These instruments could shed additional light on accounting students' ethical development.

Introduction

Jeffrey (1993) suggests that future accounting research should consider what actions accountants take when faced with accounting dilemmas. A primary focus of previous research in the area of ethics is cognitive moral development. However, there is some question as to the relationship between an individual's cognitive moral development (a mental process) and actual ethical behaviors. The purpose of this study is to examine the area of ethical behaviors among future accountants specifically related to a measure of ethicality. The primary question explores whether or not there is development in accounting students' measure of ethicality. Additionally this study explores the link between this observed ethical value dimension and specific ethical decisions.

The remainder of this paper is organized as follows: The first section describes relevant prior research and the second section details the experimental design. The third section presents the results and the final section provides conclusions and recommendations for future research.

Readers with comments or questions are encouraged to contact the author via email.

Literature Review

Values Defined

This study examines whether an accounting student's ethical values impact his or her behaviors when confronted with ethical dilemmas. Richard Kilby (1993, 55) asserts that values profoundly influence our lives. Values are a complex part of who we are and potentially effect many of the choices we make in determining how we live our lives. In some cases, an individual's values may be the achievement of some goal, i.e., becoming famous, while other values may simply relate to daily life without any goal quality present, i.e., valuing creativity in as many aspects of life as is possible. Kilby (1993, 36) defines values as "conceptions of the desirable or the worthwhile (and their opposites). This will include that which is subjectively felt to be worthy, important, better or best, good, or right (and their opposites)." Feather (1992, 111) asserts that

“. . . the values that people hold affect their initiation of new goal-directed activities, the degree of effort that they put into an activity, how long they persist at an activity in the face of alternative activities, the choices they make between alternative activities, the way they construe situations, and how they feel when an activity is undertaken either successfully or unsuccessfully according to the standards that are set.”

Values give structure to life and point the way into the future. They help supply meaning to existence. Values create specific motives, influence how we will perceive things, and help determine our thinking. They are implicit in our conception of the 'good life.' They can produce lifelong commitments, but they also may be part of a well-tailored mask; a professing of lofty ideals with no commitment and no practice.

Baumeister (1993) asserts that an individual's identity includes a structure of values. He says that an individual's identity furnishes a basis for making stable, coherent, and consistent choices. Furthermore, he suggests there are many possible, and even conflicting values presented to individuals throughout their lives. It is from these various values that individuals construct and develop their own personal values set. This process is dynamic, and people do change and develop by exposure to new values, as well as by resolving value conflicts occurring in their lives. It is possible an individual may hold a value weakly or strongly, and values may have a different saliency at different times of an individual's life.

Values vary in their relative importance for the individual, and they are fewer in number than the many specific attitudes that people possess (Feather, 1995, 1135). Attitudes refer to dispositions an individual has towards specific things or a situation. An example would be a person's attitude towards a political party or a particular style of music. Attitudes involve some amount of feeling-emotion and can produce an action tendency such as voting for a certain candidate. Rokeach (1973, 18) asserts that values are more abstract than attitudes, and that they transcend objects and situations. Feather (1990, 185) sees values as more general in nature than attitudes. In contrast to attitudes, values function as standards or criteria. Values also occupy a more central position in relation to self-conceptions than attitudes do.

Individuals usually have strong feelings about their central values. Feather (1988, 379) writes, "Values . . . are tied to the affective system with links to positive and negative affect, so that one feels angry when important values are frustrated, disapproving when others support values that are at odds with one's own, happy when one's basic values are fulfilled and so on." A person's values are more strongly held than attitudes. Thus, values should impact behavior more so than attitudes.

Feather suggests that values are "properties" of persons, are abstract and general, and they maintain some stability across a wider time frame. He suggests that as abstract structures, values are residues or summaries of past experience that provide continuity and meaning under changing environmental circumstances. Values also are susceptible to change as the person encounters new and discrepant information that cannot readily be interpreted in terms of existing abstract structures" (Feather, 1990, 184). The potential influences that impact development of values include one's peers, school, religion, and other cultural factors.

Feather (1990, 157) argues that “. . . value preferences are closely linked to a person’s socialization processes and by particular learning experiences. This socialization and learning experience will vary according to a range of factors that include a person’s culture, location in the social structure . . . all of which help to shape one’s personal and social identity.” This is relevant to this study because all the subjects are accounting students proceeding through their respective course of study. This study attempts to determine if these students’ educational experience affects their ethical values relative to their economic values.

It is also possible that a person’s values will be in conflict at times. Conflict resolution probably depends on a number of factors that might include social pressure, the current needs of the individual, the context, or situation, and the relative strength of the individual’s conflicting values. An example of this would be the “honest” student who has not studied for an examination and considers cheating in order to improve the chances for a higher grade. The conflicting values in this situation would be the desire to get a good grade with acting in an ethical manner.

Values and Behavior

Do a person’s values impact his behavior? That is, is there a relationship between a person’s values and his behavior? Values are, by definition, mental constructs. Thus one should not automatically presume that they will (or should) produce action. This is analogous to cognitive moral development. The mental processes an individual goes through to arrive at moral stages do not necessarily translate into action. Still, Feather (1990, 157) argues that “there is plenty of evidence to show that values play a key role in the choices that individuals make, in the plans that guide their behavior, in the way they justify their decisions, and in the way they structure their beliefs and attitudes.”

As indicated above, values may be weakly or strongly held. A weakly held may be overridden by other influences, including other, stronger values. Rokeach (1973) has published findings on the relation between rankings of personal values on his Values Survey and various behaviors of a number of groups. His results indicate evidence of a relationship between professed values and action, but the nature of the findings does not permit a statement of a causal relationship. Kilby (1993, 107) suggests that values are one component of a number of factors that determine an individual’s ongoing behavior. Thus, one should not expect values to influence behavior of an individual in the same manner all the time. However, Rokeach (1979) suggests that if one is shown inconsistencies between values and behavior, this could be a potent force for promoting change in one’s actions. Bandura (1986, 323) emphasizes the role of value preference as internal sources of guidance that enable people to “give direction to their lives and to derive satisfaction from what they do.”

Previous research by Barnett and Karson (1987, 1989) sought to determine if there was a relationship between an individual’s behaviors, i.e., responses to hypothetical ethical dilemmas, and the individual’s personal subjective values, i.e., as indicated by relative interest in ethical and economic issues. In their study— which included professional managers—Barnett and Karson (1987) note that even though there is little evidence about business decisions being based, or not based, on individual values, there are normative assertions that individual values are important. For instance, Guth and Tagiuri (1965, 127) assert the following regarding an individual’s personal values:

Since his personal values are such an intrinsic part of his life and behavior, an individual will eventually have to use them as criteria in making a conscious choice. If he is not very conscious or articulate about his personal values, they will impose themselves no less forcefully on his actual choices, i.e., those evidenced by his behavior.

Values are an important consideration in examining how accountants think and behave. As with the study of cognitive moral development, the study of values and values development could render valuable information on the relationship between a person’s values and his actions. Research on an individual’s values could be an important addition to the ethics work already done with accounting professionals and accounting students.

Rokeach Value Survey

McCarthy and other researchers (1997) assert that the Rokeach Value Survey (RVS) provides a predictor of ethicality that will be used in this study. The RVS includes 18 terminal values and the three values selected from that list are: A Comfortable Life, Self-Respect, and Pleasure. McCarthy (1997, 1470) suggested that researchers have shown the values of Pleasure and A Comfortable Life bore an inverse relationship to ethicality. A quantitative measure, a “differential value ranking index” – the degree to which subjects ranked a value more highly than another for (1) the difference between A Comfortable Life and Self-Respect and (2) the difference between Pleasure and Self-Respect – was compiled for each participant in the study.

Research Questions

Barnett and Karson’s (1987) primary interest was whether the respondents describing themselves as (1) ethical, (2) economic, or (3) equally economic or ethical, acted consistently with their reporting descriptions. Each subject responded to six business vignettes in which the resolution to each dilemma was either an economic or an ethical response. Barnett and Karson (1987) found some support of a relationship between a subject’s self-assessed value (ethical or economic) and the subject’s response to business vignettes (ethical or economic). The sample in the Barnett and Karson (1987) study were executives at a variety of firms in the New England area. Brief, et al., (1991) found those personal values were related to how subjects chose to resolve the ethical dilemmas presented them. Additionally, as indicated above, Feather (1990) asserts that values are susceptible to change as the person encounters new and discrepant information that cannot readily be interpreted in terms of existing abstract structures. It is plausible that the university socialization and learning experience will impact senior accounting students’ personal values as measured by the RVS. This is analogous to the research done in the cognitive moral development area (See Rest, 1979). Thus, the first research question: Is there a relationship between accounting students’ personal values measured by the RVS and the students’ decision response to the business vignettes that require an ethical or economic response? This study could provide information on whether accounting students act on their values. If the accounting profession is concerned how future accountants may respond to ethical dilemmas, then one potential area to investigate is the relationship between accounting students’ ethical values and their responses to ethical situations.

In addition to examining any relationships between accounting students’ ethicality measure and responses to ethical situations, I wanted to determine if senior accounting students comparatively hold a greater ethicality as measured by the RVS to lower division accounting students. Accordingly, the second research question is: Is there a difference between lower-division accounting students and senior accounting students’ measure of ethicality? This is an important question because it may indicate whether the period of studies is impacting in some way an effect on accounting students’ ethicality measure.

Prior research has provided evidence of cognitive moral development among accounting students during their matriculation years (See Jeffrey, 1993). It is thus plausible that, in addition to cognitive moral development, senior accounting students may respond with more ethical responses than economic responses when confronted with certain dilemmas, as compared with lower-division business students. The students’ responses to these business vignettes provide evidence of this. The third research question is: Do senior accounting students manifest a greater number of ethical responses to business dilemmas than lower-division accounting students? This is an interesting question because it may indicate whether or not there is a comparative increase in accounting students ethical responses to plausible ethical dilemmas. This could indicate that the education period is in some way influencing students’ ethical responses.

Experimental Design

Subjects

All students in this study matriculate at one of two universities, one Catholic and the other a secular, private institution, both in California.¹ The 62 lower-division accounting students came from introductory accounting courses. The 71 senior accounting students came from upper-division accounting courses.

Task and Procedures

Each student completed the Rokeach's Value Survey (1973), eight business vignettes that require either an economic or ethical response, and a form asking for student's demographic information. Each student ranked eighteen values from the Rokeach Value Survey (1968). In the second part, each student was given eight business vignettes in which he or she responded with either an economic or ethical resolution.

For the business dilemmas Barnett and Karson (1987, 1989) developed a series of ethical vignettes. Lay and clergy business school professors at two New England universities validated each of the responses as either economic or ethical. The researchers modified two of the business vignettes, i.e., numbers one and six, to make each more accounting contextual, rather than of a general business context.

In addition to these six business vignettes, I developed two-economic/ethical dilemmas specific to accounting. The first dilemma considers a revenue-cut off situation while the second has to do with a dependent deduction on a tax return. The authors discussed the revenue cut-off vignette with a former manager of an accounting firm. In addition, the authors discussed the dependent deduction dilemma with a former tax partner of an accounting firm. Both cases were considered realistic and consistent with the intent of the Karson and Barnett vignettes.

Barnett and Karson (1987, 373) assert that the vignettes' design explores alternative ethical dimensions. The first two vignettes deal with standard but minor ethical problems students should be able to understand, i.e., (1) reporting or not reporting personal information to an associate that might cause some problems and (2) a refund of an expense report. The third, fourth, and fifth vignettes describe more significant situations the students might not have thought about and thus not be prejudiced toward either ethical or economic action. In the sixth vignette, there is no chance that anyone else will know if one acts unethically, i.e., if one reads a copy of a competitor's marketing plan found by chance. In the first, specifically accounting vignette, the student is asked to decide on an accounting issue related to the treatment of a revenue cut-off that directly impacts all employee bonuses. In the second accounting vignette, the student must choose between keeping or dropping a prized client who is unwilling to amend an incorrect tax return.

Independent and Dependent Variables

To address the first research question, a correlation analysis is performed. The first variable is an ethicality measure, a "differential value ranking index" – the degree to which respondents ranked a value more highly than another for (1) the difference between the subjects ranking of A Comfortable Life and Self-Respect and (2) the difference between Pleasure and Self-Respect. The second variable is the number of student's economic responses to the business vignettes, with values ranging from 0 to 8. The method of analysis is a test of the correlation between the measure of ethicality and the number of economic responses to the business vignettes.

Regression analysis was used to address the second research question. The dependent variable is the measure of ethicality. The range of possible ethicality measures would be from (-32) which would indicate the minimum ethicality measure to 32 which would indicate the maximum ethicality measure. The independent variable is the class level of the student, i.e., lower-division accounting student versus a senior accounting student.

¹ All research questions were additionally tested for differences between the Catholic and the secular institution. No statistical differences were found between the two schools.

Regression analysis was also used to test for the third research question. The dependent variable is the number of vignettes to which a student responds with an ethical resolution. The independent variable is the student’s class level, i.e., lower-division versus senior accounting student.

Results

Research Question One

The first research question tested for the relationship between a students’ ethicality measure and the students’ economic decision responses to the eight business vignettes. The students’ ethicality measure is the summation of the differences between the subjects ranking of (1) A Comfortable Life and Self Respect and (2) Pleasure and Self Respect. Table 1 presents a comparison of the ethicality measure, broken down by class levels.

Table 1
Measure of Ethicality

Lower-division Students	Avg. = 3.38 range = (-24) to 25 n=62
Senior Level Students	Avg. = 7.47 range = (-16) to 27 n=71

The economic responses are simply the number (0 to 8) to which the student responded economically to the eight business vignettes. Table 2 provides a comparison of the number of ethical responses to the eight business vignettes, broken down by class levels, as follows:

I found no correlation between the students’ measure of ethicality and the number of ethical responses to the business dilemmas. There was no evidence suggesting that a higher ethicality score would result in a greater number of ethical responses to the business dilemmas.

Table 2
Number of Ethical Responses (out of 8) to Business Dilemmas

Lower-division Students	Avg. = 4.23 range = 1-8 n=62
Senior Level Students	Avg. = 4.66 range = 1-8 n=71

Research Question Two

The second research question examines whether there is a difference in the ethicality measure between lower-division and senior level accounting students. As shown above in table 1, the ethicality measure for the lower-division accounting students is 3.38 while for senior accounting students, 7.47. Regression analysis indicated that

there was a significant difference ($F= 4.59685$, $p = .034$). This is evidence that in comparing these two groups, senior accounting students do exhibit a greater ethicality measure than lower-division accounting students.

Research Question Three

The third research question examines whether senior accounting majors would manifest a greater number of ethical responses to business dilemmas than lower-division business students. Regression analysis found that senior accounting students significantly respond with a greater number of ethical responses to business dilemmas than lower-division accounting students ($F=2.779$, $p = .098$). Although this difference in responses in this sample is only approximately 6 percent ($4.66-4.23/4.23$), the direction towards more ethical responses is encouraging. Comparison of this study with the samples used in the Barnett and Karson studies (1987, 1989) showed the percentage of ethical responses by the students to be less than the percentage of ethical responses by the respective business populations, except in the dilemma dealing with the competitor’s plan, in which the students’ ethical percentage was greater.


Conclusions And Recommendations

This study found no relationship between the students’ measure of ethicality and the number of economic responses to business dilemmas. This study did find a significant difference between lower-division accounting

students and accounting seniors in their measure of ethicality. I found that seniors also respond with more ethical responses when compared with lower-division accounting students to ethical dilemmas that they may one day face.

Research in cognitive moral development has shown that development continues throughout an individual's education (Rest, 1979). This study provides some evidence that ethical value development as measured by the RVS and the business dilemmas may increase as well over the students' education period.

Underlying research in accounting students' ethical development is the following question: How do accounting educators assist their students to become ethically concerned in their decision process and thus value ethical behaviors? There is no doubt that the American Assemblies of Collegiate Schools of Business (AACSB) considers ethical development an essential component of all business education. This study indicates that accounting students to at least some extent are concerned about ethical values and ethical responses. On the other hand, many students responded with a majority of economic responses to the business dilemmas. This should be a concern of the accounting profession when the economic value (as indicated by economic responses) overrides all other, including ethical, considerations. If accounting students are attracted to economic responses as contrasted with ethical responses to hypothetical business dilemmas, can we expect that they will respond in action to the real life business dilemmas that they will no doubt face in their careers as professional accountants?

There are some inherent limitations to this study. One limitation is using the Rokeach Value Survey to arrive at a measure of ethicality. Perhaps future researchers could find another method that provides a superior way to measure subjects' ethicality. This being noted, the approach taken does provide some valuable information as noted in the study. Other limitations of this study are the limiting of two schools as well as the relative small sample size of students. 

Extensions

This study points to a number of future research directions. Future studies with larger samples from other schools may allow us to see if these results can be replicated with other accounting students. Additional testing of students of other majors, i.e., business and non-business, would help provide comparison information that might be useful in how values, especially ethical values, may or may not develop among students. It also might prove beneficial to give these cases to the same students throughout their education process, and perhaps even as professionals, in order to determine if there is a change in these individuals' responses. Does the measure of ethicality increase, remain stable, or decrease as a subject proceeds through their careers.

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Appendix A Value Survey

This is a scientific study of value systems. There are no right or wrong answers in this study. The best answer is your own personal opinion.

Below is a list of 18 values in alphabetical order. We are interested in finding out the relative importance of these values to you.

Study the list carefully. Then place a 1 next to the value which is most important to you, place a 2 next to the value which is second most important, etc. The value which is least important should be ranked 18.

When you have completed ranking all the values, go back and check your list. Feel free to make changes. Please take all the time you need to think about this, so that the end result truly represents your values.

- A Comfortable Life (A Prosperous Life)
- An Exciting Life (A Stimulating, Active Life)
- A Sense Of Accomplishment (Lasting Contribution)
- A World At Peace (Free Of War And Conflict)
- A World Of Beauty (Beauty Of Nature And The Arts)
- Equality (Brotherhood And Sisterhood, Equal Opportunity For All)
- Family Security (Taking Care Of Loved Ones)
- Freedom (Independence, Free Choice)
- Happiness (Contentedness)
- Inner Harmony (Freedom From Inner Conflict)
- Mature Love (Sexual And Spiritual Intimacy)
- National Security (Protection From Attack)
- Pleasure (An Enjoyable, Leisurely Life)
- Salvation (Saved, Eternal Life)
- Self-Respect (Self-Esteem)

- Social Recognition (Respect, Admiration)
- True Friendship (Close Companionship)
- Wisdom (A Mature Understanding Of Life)

Appendix B
Business Vignettes

Please respond to each of the following business situations by indicating with a checkmark for the resolution you would choose.

Situation Number 1

Assume you are a manager for an accounting firm. As you leave your office for an extremely important meeting with a major potential new audit customer, you overhear the switchboard operator saying, "If X calls in, please see that X calls home, as X's spouse says there is a mini-crisis." You are to meet with X at the customer's office and the two of you are to make the sales presentation. X's participation is critical. X is quite nervous and often gives a bad impression if distracted. Would you:

- A. Relay the information to X before the meeting with the potential audit client.
 B. Not relay the information to X before the meeting with the potential audit client.

Situation Number 2

When returning from an out-of-town audit trip prepaid by your accounting firm you find yourself fogged in at the San Francisco Airport. The airport provides you a bus ride to Sacramento, California (where you live) for \$25, returning to you the \$100 plane fare. The delay means you reach home several hours later than expected. Would you:

- A. Include the \$75 refund on your expense report.
 B. Not include the \$75 on your expense report.

Situation Number 3

Two firms, an investment banking group and a large firm highly experienced in the machine tool industry, are in a fight to acquire a small high-tech machine tool firm that is in grave financial trouble. The large machine tool corporation has offered 2% more money to the shareholders of the small corporation. Also, if the investment-banking firm acquires the small unit, it will be only for resale again in the near future, or whenever the time and the price for resale is right. Thus the investment-banking group, which has no expertise in the running of the machine tool industry, will not replace senior management. Many senior managers are your good friends. The other large machine tool firm, however, is likely to improve operations and cut down costs, including pruning down top personnel by 25% to 75%. As the president of the company, would you approve the takeover by?

- A. The investment banking group.
 B. The large machine tool company.

Situation Number 4

You are a real estate broker in the Bay Area. Times have been tough of late but you now have a prospect for a shorefront home that will pay you \$10,000 in commissions. The property has no boat dock. You overheard the buyer and his wife discuss where they would have a new dock built. They have not addressed the subject with you at all but you know it is important to them. You also know that on this particular lake it is almost impossible to get approval for a new dock from the state licensing authority. No new permits have been allowed for two years. Would you discuss the dock problem with your clients?

- A. Yes
- B. No

Situation Number 5

You have recently resigned from your position as a sales consultant for a photocopier firm and you will be leaving in several weeks. A customer is interested in purchasing a used copy machine, and you have a recent model that the customer feels would meet company needs. You stand to make a good commission on the deal. However, you know that the customer could purchase a brand new copier from your firm for the same amount of money during a special rebate period. The commission on the new product, however, is substantially less than on the used machine. You would:

- A. Inform the customer about the special rebate.
- B. Not inform the customer about the special rebate.

Situation Number 6

You are a newly-appointed marketing director of an accounting firm and your primary responsibility is to bring on new clients for management consulting services. You have been invited to make a proposal along with marketing directors from other accounting firms for a major account. Just outside the room where the presentations for all the proposals are to take place, you notice that your chief competitor has inadvertently dropped one of his many copies of his firm's proposal, and has left the area. He had so many that you doubt he will miss this one copy. Would you:

- A. Contact the competitor and return the plan unread.
- B. Read the plan.

Situation Number 7

You are an accountant for a manufacturer of pipes. You are preparing financial reports for the year ended December 31, 1997. You are aware that one of the firm's customers put in an order on December 27 for 10,000 6-foot pipes. Every effort was made by the company to ship the order by December 31, but because of the magnitude of the order, shipment couldn't take place until January 2, 1998. In examining previous years accounting treatment of similar situations, you note that such sales have been included in the revenues of December of that year. In discussing the matter with your supervisor he informs you of the importance of having as great of revenues as possible as employee year-end bonuses are tied to revenues, i.e., the greater the bonus. Would you:

- A. Include the revenue in the December 1997 revenues.
- B. Include the revenues in the January 1998 revenues.

Situation Number 8

You prepare tax returns as your primary business. You have been preparing tax returns for four years but competition, especially from H&R Block, is making it difficult to get by. One of your prized customers for these four years accounts for a \$1,000 tax return fee. One day you read in the local paper that this customer's oldest son has received a special award for his help in the community. The article indicates that this son has been married for the past 2 years and works for a construction firm. You recall that your customer has been taking his son as an dependent exemption on his tax return all four years. The tax law specifically states that a parent cannot take a married child as a dependent on their tax return. You call the client and voice your concern that a dependent exemption has been taken on his tax return for the last two years that should not have been taken. The customer responds that he does not want to change anything that has been done before because he does not want to raise any flags to the IRS. "I don't want to be audited," he tells you, "and sending an amended return is asking for this to

happen. If for some reason I am audited, I will take care of this matter when it comes up.” He finishes by saying, “Leave things the way they are, and for the next year I won’t take him as a dependent.” (Note: The law does not require the tax preparer to notify the Internal Revenue Service of the erroneous dependent deduction that had been taken.) Would you:

- A. Do as the customer suggests but stop doing tax returns for this customer in the future.
- B. Do as the customer suggests and continue as his tax preparer.

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