

**Sharpening Your Ethical
Decision-Making Skills:
Two Case Studies**

2013 CPE Program, Schneider Downs,
December 5, 2013
Dr. Jim Weber, Duquesne University



**The “LEFT TURN” versus
“RIGHT TURN” of Ethics**



Taking a LEFT turn on red is prohibited, you must wait for the traffic light to change – you must **ADHERE TO THE RULES**

Taking a RIGHT turn on red is permitted, you do not need to wait for the traffic light to change – **YOU CAN ACT IF SAFE TO DO SO**



What is the right action?

Jessie is the senior accountant assigned to audit Acme Corporation. Acme is a closely held corporation and a major client of Jessie's firm. During the audit, Jessie finds a material cutoff error which causes Acme's income to be significantly misstated. Jessie is aware that the firm's policy states the audit senior must document any potential material adjustment in the work papers, with the final determination made by the partner in charge of the audit. Jessie also knows that Acme does not want to make the adjustment.

Casey, the audit manager, tells Jessie: "Let's not mention this adjustment in the work papers. Since Acme is closely held and there are no tax implications, the partner has decided not to force an adjustment. Acme is our largest client. We need to get the Acme work up to the partner as soon as possible."

Jessie is concerned and upset. This does not seem right.



A two-step guide to ethical decisions

1. Are any ethical principles violated?
 - o Acting responsibly, doing your duty?
 - o Minimizing or eliminating any harm?
 - o Being honest, maintaining integrity?
 - o Acting in a fair or just way?
 - o Respecting the rights of others?



A two-step guide to ethical decisions

2. Is the broadest perspective taken?
 - o How would I act if it was **just me** (Jessie)?
 - o How would **my boss** (Casey) want me to act?
 - o What would be best for **my firm**?
 - o What would be best for **my client** (Acme)?
 - o What does **my profession** tell me to do?
 - o What is **best for all involved**?



What is the right action?

Jamie knew Pat was upset. "Well, you'll hear about it eventually," said Pat. "I've been denied the promotion. Wow, after working 70 hours a week for years. Well, that's going to change, starting right now!"

Six months later, Jamie was surprised to see Pat in the office on a Sunday, since Pat had been coming to work late and leaving work early. Jamie saw that Pat was copying some company software used for auditing and consulting work.

Pat admitted, "Yes, I have a few clients on the side but these are not clients that the company would be interested in. Since I did not get the promotion, I need the extra money."

"But what if the company finds out?" asked Jamie. "They won't find out," retorted Pat.

Now Jamie was quite upset. "But, that's stealing, Pat!" "Stealing?" Pat responded. "Like when you used the company laptop for your children's projects and papers for school? Or, when you made reams of copies of flyers for your church's function? If I'm stealing, then you are too. I'm not hurting the firm or its bottom line, are you?"

Jamie left the office troubled, wondering if this should be reported to someone in the company.



A two-step guide to ethical decisions

1. Are any ethical principles violated?

- o Acting responsibly, doing your duty?
- o Minimizing or eliminating any harm?
- o Being honest, maintaining integrity?
- o Acting in a fair or just way?
- o Respecting the rights of others?



A two-step guide to ethical decisions

2. Is the broadest perspective taken?

- o How would I act if it was **just me** (*Jamie*)?
- o How would **my coworker** (*Pat*) want me to act?
- o What would be best for **my firm**?
- o What does **my profession** tell me to do?
- o What is **best for all involved**?


