

Developing Students' Ethical Reasoning Skills

Colloquium on Change in Accounting Education
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Discussion Leader:

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Workshop Goals:

- Clarify Desired Ethical Reasoning Skills
- Introduce a Model for Ethical Reasoning
- Design Assignments and Classroom Activities to Foster Improved Ethical Reasoning Skills
- Evaluate Student Ethical Reasoning Performance
- Discuss course and accounting program implementation issues

Ethical Reasoning Skills

ACTIVITY

List Words/Phrases That Describe Ethical Reasoning:

Sample Assignment and Student Responses

The following assignment was used by Susan Wolcott in a sophomore-level introductory financial accounting course at Helsinki School of Economics—Mikkeli.

WorldCom and Fraud in the Workplace

Read the attached excerpts from the report of the “Special Investigative Committee” of WorldCom, Inc., filed with the U.S. SEC on June 9, 2003. This report describes a major fraud committed by the managers of WorldCom during 1999 through 2002. Also attached are excerpts from the company’s most recent financial statements. (Note: WorldCom has changed its name to MCI.) You do not need the financial statements for the written assignment, but we will discuss the statement excerpts during class on Friday.

Required:

Turn in your written answers to the following questions. You are free to discuss this assignment with other people, but the paper you turn in must be your own work.

1. What appeared to be the motivation behind the fraud?
2. How did improper capitalization of line costs improve the reported financial results? Describe the effects on the balance sheet, income statement, and statement of cash flows. You do not need to include dollar amounts in your description; however, you need to explain the effects well enough for me to determine whether you understand how this fraud affected the financial statements.
3. Many people at WorldCom were either aware of or actively participated in the company’s fraud. Suppose you were an employee at WorldCom who became aware of the fraud. Analyze alternative actions you could have taken, and propose a course of action. As you analyze this situation, be sure to address uncertainties about how you should respond, the possible effects of your actions on others as well as yourself, and how you weighed issues in reaching a conclusion. (This part of the assignment should be 1-2 pages, single spaced.)

The attached examples show student responses to only the last question above (i.e., the ethical reasoning question).

Response of Student A

3. If I was an employee in that company I would call attention of the Board of Director to such incident and I would advise them to make an investigation on the subject matter since the Board of Director have a final says in management of company. It is better to make Board of Director to aware what was going on in the company and let them take a legal action of that matter.

Response of Student B

3. There are three major actions one can take after finding out about the fraud in the company. First, one can act passive, pretend nothing ever happened and let the fraud continue (committing a crime at the same time?). Second, one can actively join the bad guys and commit even bigger crime. The third option is to blow the whistle and be honest. Most of us would probably want to be honest, but the company may be prepared to put pressure on people to keep them quiet. Even peer pressure can be enough pressure to ensure employee loyalty. Not to mention maybe the most powerful tool, money. Nobody wants to risk their job and future incomes. I wouldn't. The easiest and the best way to deal with a fraud is to try to get away from it. I would try to sneak out from the company and find another job. After making sure I have another job, I could disclose the fraud.

Response of Student C

3. The question of reporting frauds is a very ethical one. I think, if you are involved in a company which commits fraud, you may realize what is going on but you are most probably not aware of the consequences such a fraud effectuates. That is probably one of the reasons why most employees or involved persons who are aware of the fraud, do not react and uncover those illegal actions immediately. If they realize and discover what is really going on in the company, some might take actions, depending on the people and their ethical standpoint. People who commit fraud obviously do not have any morals, because otherwise they could not handle the consequences and negative effects on all the people involved in this company, say investors, creditors, government and top priority the employees and the whole economy who suffers from a fraud of umpteen billion dollars and might take a long, long time to recover.

If I become aware of a fraud taking place in the company, what would I do? As I most probably would never have been involved in such a business before, I would first look at what is going on here. Which numbers and accounts are faked, what is the purpose of
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those faked numbers? On the other hand, I would want to find out what the real situation would look like. The consequences are obvious. If the company calculated as it is supposed to under the generally accepted accounting principles, it would report a loss, so it is obvious why the company committed fraud.

So, what would I do? I think I would definitely uncover the fraud. There are 2 reasons for that: As soon as you are aware of a fraud, the risk to be considered as guilty is very high. Secondly, by uncovering the fraud as soon as possible, there might be the possibility to contain the loss, first of all because there are so many parties involved in such a big company as WorldCom, who suffer from the fraud. Although, there are also many negative consequences. Of course, I would think of the effects of my actions on others and myself. Ok, if a company commits fraud, the numbers shown on the balance sheet and income statement are positive and out of the perspective of an employee there is no concern of not getting his salary, unless the fraud is not uncovered. But you have to think that the fraud is just a temporary method, it cannot be hidden endlessly, so by revealing the fraud you risk that many employees lose their jobs but on the other hand, there will come the point of laid-off employees anyway, at the latest when the fraud is uncovered.

How I would proceed in uncovering the fraud is a difficult question, particularly since I have no idea how this business works. Maybe there exists some anonymous auditing service which you can go to in case of fraud. First, maybe it could be best to talk with the executives of the company itself, despite the risk to get laid off. If they are not willing to change their procedure and keep on manipulating financial statements, I would inform either such anonymous auditing service, as far as they exist, or internal audit team to check and investigate WorldCom's financial statements.

You also have to be aware, that in case of uncovering a fraud, the company has to file a petition in bankruptcy. In case of WorldCom, the employees get paid, customers get service, and WorldCom retains possession of assets and a little breathing room to reorganize. Banks that provide the loans are in favor because they will be first in line to be repaid. If Chapter 11 is successful, WorldCom can continue to operate with a restricted debt load, operate more efficiently than before and preserve jobs and assets. Actually, that is the benefit of bankruptcy for WorldCom.

Ethical Reasoning: Clear Right/Wrong Answers? OR, Open-Ended?

Ethics refers to principles that define behavior as right, good and proper. Such principles do not always dictate a single “moral” course of action, but provide a means of evaluating and deciding among competing options.

Excerpt from Josephson Institute of Ethics, *Making Sense of Ethics*.
Available online at:
<http://www.josephsoninstitute.org/MED/MED-1makingsense.htm>.

Ethics is two things. First, ethics refers to well based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues... Ethics also means... the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly-based.

Excerpt from Manuel Velasquez, Claire Andre, Thomas Shanks, S.J., and Michael J. Meyer, *What Is Ethics?* Markkula Center for Applied Ethics, University of Santa Clara. Available at:
<http://www.scu.edu/ethics/practicing/decision/whatisethics.html>

Problem Solving Approach to Ethical Decision Making

- Step 1: Become more aware of ethical problems that can arise (i.e., Identify ethical problems)
- Step 2: Objectively consider the well-being of others and society when analyzing alternatives
- Step 3: Clarify and apply ethical values when choosing a course of action
- Step 4: Work toward ongoing improvement in personal, organizational, and social ethics

Adapted from: Eldenburg & Wolcott, (2005), *Cost Management: Measuring, Monitoring, Motivating Performance*, John Wiley & Sons. Adapted from Lynch, C. L., Wolcott, S. K., & Huber, G. E. (August 5, 2002). *Steps for Better Thinking: A Developmental Problem Solving Process* [On-line]. Available: <http://www.WolcottLynch.com>.

Examples of Issues & Values for Ethical Reasoning

←Less Complex			More Complex →
Step 1—Identifying	Step 2—Exploring	Step 3—Prioritizing	Step 4—Envisioning
<p>Identify Ethical Problems and Courses of Action:</p> <ul style="list-style-type: none"> * Identify reasons why the dilemma is open-ended, such as: <ul style="list-style-type: none"> o Conflicts of interest (potential conflict among or harm to people, institutions, society, places, or things) o Issues of fairness and honesty (e.g., truthfulness, integrity, trustworthiness, justice, equity, impartiality) * Ask whether this is a topic, issue, or event that cannot be discussed openly without tarnishing one person or party * Discuss why the “ideal” ethical result might be impossible to achieve * Discuss reasons for behaving ethically * Identify potential courses of action 	<p>Objectively Consider Well-Being of Others and Society:</p> <ul style="list-style-type: none"> * Explore the interests, assumptions, and values of important stakeholders * Explore the ethical dilemma from more than one moral philosophy, such as:^{a,b} <ul style="list-style-type: none"> o Teleology approach o Egoism approach o Virtue approach o Utilitarian approach o Deontology or Rights approach o Relativist approach o Justice or Fairness approach o Common good approach * Explore potential biases or rationalizations, such as:^c <ul style="list-style-type: none"> o “If it’s necessary, it’s ethical” o “If it’s legal and permissible, it’s proper” o “It’s just part of the job” o “I was just doing it for you” o “I’m just fighting fire with fire” o “It doesn’t hurt anyone” o “Everyone’s doing it” o “It’s OK if I don’t gain personally” o “I’ve got it coming” * Evaluate the completeness, reliability, and credibility of information sources 	<p>Clarify and Apply Ethical Values:</p> <ul style="list-style-type: none"> * Identify the best option and identify the values associated with that choice * Consider alternative ways to identify the best choice, such as: <ul style="list-style-type: none"> o Prioritize the moral philosophies explored in Step 2 o Ask what the most ethical person would do in this situation o Ask which values are most important for addressing this problem o Ask how important it is to maintain high standards for values and principles * For the best solution, describe the trade-offs that are made among the interests of important stakeholders 	<p>Work Toward Ongoing Improvement in Personal, Organizational, & Social Ethics:</p> <ul style="list-style-type: none"> * Ask what the decision maker or others could learn from this dilemma * Describe methods for monitoring and continuously improving ethical values and principles * Identify types of ethical problems might occur in the future and plan how might they be addressed * Discuss why it is important to seek continuous improvement in ethical decision making

Sources:

- ^a The Internet Encyclopedia of Philosophy, Ethics, available at <http://www.utm.edu/research/iep/e/ethics.htm>.
- ^b The Markkula Center for Applied Ethics at Santa Clara University, available online at <http://www.scu.edu/ethics/practicing/decision/framework.html>.
- ^c Josephson Institute of Ethics, Making Ethical Decisions, November 2002, available at <http://www.josephsoninstitute.org/MED/MED-intro+toc.htm>.

Common Student Difficulties

Fails to Recognize an Ethical Dilemma (weak Step 1)

Assumes there is a Single “Correct” Answer (weak Step 1)

Jumps onto a Righteous “Band Wagon” and Ignores or Discounts Other Perspectives (weak Step 2)

Unaware of Trade-offs Made in Choosing an Option (weak Step 3)

Unable to Adequately Support a Recommendation in Light of Legitimate Conflicting Interests (weak Step 3)

Overlooks Learning Opportunities that Could Lead to Continuous Improvement (weak Step 4)

Based on Developmental Psychology:

The development of less complex skills precedes the development of more complex skills. Therefore:

- If Step 1 is weak, then Steps 2, 3, and 4 will also be weak.
- If a student performs Step 1 adequately but Step 2 is weak (MOST COLLEGE STUDENTS), then Steps 3 and 4 will also be weak.
- If a student performs Steps 1 and 2 adequately but Step 3 is weak, then Step 4 will also be weak.

Recommendations for Teaching/Learning Activities

Adapted from: L. F. Gardiner, Fostering students' moral development, *Essays on Teaching Excellence*, The Professional & Organizational Development Network in Higher Education, available online: <http://ase.tufts.edu/cae/tufts-secure/v11/v11n5.htm>.

- Have students discuss controversial moral dilemmas. Identify disciplinary issues with moral content—that relate to moral values. Develop cases, problems, or scenarios that involve these values for students to discuss.
- Have students play the roles of and explain the reasoning used by others to resolve moral dilemmas.
- Allow students to discover how various cultural groups reason about moral issues.
- Establish a learning community where values of mutual respect, sensitivity to others' needs, and cooperation are emphasized and discussed.
- Ensure all students have ample out-of-class contact with faculty members.
- In addition to high involvement tactics, directly teach Kohlberg's model of six stages of reasoning as one would teach other disciplinary concepts.

Kohlberg's Stages of Moral Development

Level I Preconventional Morality Focuses on self—pain or pleasure		Level II Conventional Morality Focuses on others—society's values, norms, and expectations		Level III Postconventional Morality Focuses on the values and principles that make a good society	
Stage 1 Obedience and Punishment Orientation	Stage 2 Individualism and Exchange	Stage 3 Good Interpersonal Relationships	Stage 4 Maintaining the Social Order	Stage 5 Social Contract and Individual Rights	Stage 6 Universal Principles
Decide based on rules set by authorities. Concerned with obedience and punishment.	Decide based on individual's interests. Concerned with personal benefit.	Decide based on what others (typically those close to the decision maker) would view as right. Concerned with others' approval.	Decide based on maintaining the larger social order. Concerned with community/society stability.	Decide based on evaluation of morality or rights. Includes evaluation of what society ought to value. Concerned with the existing social contract.	Decide based on universal principles of justice. Requires objective evaluation from all perspectives. Concerned with acting morally; might involve civil disobedience.

Adapted from: W.C. Crain. (1985). *Theories of Development*. Prentice-Hall. pp. 118-136. Available online at <http://faculty.plts.edu/gpence/html/kohlberg.htm>.

Templates for Ethical Dilemma Questions

←Less Complex			More Complex →
Step 1—Identifying	Step 2—Exploring	Step 3—Prioritizing	Step 4—Envisioning
<p>Identifying Ethical Problems and Courses of Action:</p> <ul style="list-style-type: none"> * Does _____ create an ethical problem for _____? Why or why not? * Is _____ a business issue, a social issue, or both? Explain. * How is it possible that _____ might not know _____? * List stakeholders who might be affected by _____. * List at least _____ potential courses of action for this problem. * List data or types of information relevant to _____. * Describe uncertainties concerning the best course of action for this problem * Describe why there is no single, “correct” way to _____. 	<p>Objectively Consider the Well-Being of Others and Society:</p> <ul style="list-style-type: none"> * Describe the different viewpoints about whether _____ should _____. What assumptions lie behind each viewpoint? Are differences in ethical values evident in the different viewpoints? * Discuss whether it is fair for _____ to _____. Provide arguments for both sides. * What are the social costs and benefits of _____? * Discuss the preferences of various stakeholders for this problem. * Compare managers who _____ with managers who _____. What assumptions lie behind these managers’ decisions? Do you see a difference in ethical values? * Discuss the pros and cons (or costs and benefits) of a company policy that might prevent _____. * Appropriately use _____ (an ethical framework) to analyze _____. * Explain how alternative solutions might affect _____ (one or more stakeholders) 	<p>Clarify and Apply Ethical Values:</p> <ul style="list-style-type: none"> * What is the best overall solution to this problem for society? What values did you use to arrive at the solution? * What ethical values should _____ use to address the concerns of their critics? * Draw a conclusion about whether it is fair for _____ to _____. Identify the values/priorities you used to reach your conclusion. * Discuss alternative sets of values/priorities that could be used to draw a conclusion about _____. * When managers are faced with uncertainties about _____ such as in this situation, what criteria should they use to decide _____? What values did you use to arrive at the solution? * What are _____’s ethical obligations when _____? What values did you use to arrive at your conclusions? * Recommend two or more company policies that might prevent _____. What values did you use to arrive at your solution? 	<p>Work Toward Ongoing Improvement in Personal, Organizational, & Social Ethics:</p> <ul style="list-style-type: none"> * How might _____ (a company) continuously improve its _____ practices to benefit itself and society? * How can company managers determine on an ongoing basis whether their _____ practices are ethical? * How can _____ (an organization) monitor whether its _____ practices are ethical? * How can _____ increase the likelihood that _____ will benefit from _____? * Discuss the limitations of a company policy to prevent _____. In light of these limitations, how can companies prevent behaviors such as _____?

Photocopy: NC State Service Learning Reflection Framework (excerpts)

Patti H. Clayton, PhD (phclayton@mindspring.com)
Presentation at IUPUI, October 25, 2005

Example of Assignment: Ethics Related to Accountant Consulting Services

This problem is from Chapter 7 (pp. 279-280) in Eldenburg & Wolcott, *Cost Management: Measuring, Monitoring, and Motivating Performance*, John Wiley & Sons, 2005.

FOCUS ON ETHICAL DECISION MAKING Promoting Inappropriate Uses of ABC

When ABC was first developed, consultants sometimes promoted it for inappropriate uses. Many consulting services focused on using ABC information for short-term decisions such as pricing and product emphasis. Yet in the early stages of ABC and ABM development, both flexible and committed costs were included in ABC cost pools and were not tracked separately. As a result, ABC unit costs included both fixed and variable costs, even when the fixed costs were irrelevant for decision making. ABC promoters suggested that all costs were variable in the long run, and they ignored criticism of their methods.

If the ABC cost rates include fixed costs, their unquestioned use in setting prices is detrimental to operations. If demand falls, then production volumes may fall too, first causing cost per unit to increase and then prices to increase. This type of pricing policy can lead to a death spiral, in which prices increase inappropriately as volumes decline.

After ABC was developed, it was quickly added to cost accounting curriculums at many different universities. However, a few academics were highly critical of ABC and eventually provided evidence that overhead costs included a large portion of fixed costs, even in the long run (e.g., Noreen and Soderstrom, 1994). As research evidence accumulated, ABC consultants suggested that organizations not allocate facility level costs and categorize costs within each activity cost pool as flexible and committed. Then total costs could be used to analyze processes and improve operations, but flexible cost information could be retrieved for decision making.

Currently, "incremental ABC cost analysis" services are being promoted. These services are sometimes called predictive accounting. Because consulting services can be expensive and judging the outcome of new ideas can be difficult, managers need to incorporate healthy skepticism when considering the potential costs and benefits of products and services promoted by consultants.

SOURCE: E. Noreen and N. Soderstrom, "Are Overhead Costs Strictly Proportional to Activity? Evidence from Hospital Service Departments," *Journal of Accounting & Economics*, January 1994, pp. 255-279.

Practice Ethical Decision Making

Perform a Web search for articles about *activity-based costing* using one of your library's business search engines, such as ABI Inform and Lexis/Nexis. Also conduct a search for articles using the terms *incremental ABC* and *predictive accounting*. In Chapter 1, we learned about a process for making ethical decisions (Exhibit 1.11). You can address the following questions for this ethical dilemma to improve your skills for making ethical decisions. Think about your answers to these questions and discuss them with others.

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Ethical Decision-Making Process	Questions to Consider about This Ethical Dilemma
Identify ethical problems as they arise.	Did you find articles promoting the use of: <ul style="list-style-type: none">• ABC for pricing and other short-term decisions?• Incremental ABC or predictive accounting? When consultants develop management techniques such as ABC, do uncertainties always remain about whether the technique will benefit clients? Does selling ABC consulting services create an ethical problem? Why or why not?
Objectively consider the well-being of others and society when exploring alternatives.	In light of uncertainties about whether consulting services will benefit clients: <ul style="list-style-type: none">• Why do consultants promote them?• Why do clients purchase the services?• What are the pros and cons to the clients? Did your articles appear to promote appropriate or inappropriate uses of costs for decision making? How do you know? When consultants write articles about a technique such as ABC, are the articles likely to be biased? Why or why not?
Clarify and apply ethical values when choosing a course of action.	What are consultants' ethical obligations when selling consulting services that have uncertain outcomes? What values did you use to arrive at your conclusions?
Work toward ongoing improvement of personal and organizational ethics.	How can consultants increase the likelihood that clients will benefit from their consulting services?

Example of Assignment: Ethics Related to Accounting Estimates

This problem is from Chapter 8 (pp. 318-319) in Eldenburg & Wolcott, *Cost Management: Measuring, Monitoring, and Motivating Performance*, John Wiley & Sons, 2005.

FOCUS ON ETHICAL DECISION MAKING Quality of Accounting Estimates

During 2003, the [U.S. Department of Health and Human Services \(HHS\)](#) completed an audit of the 1999 Medicare organ acquisition costs at [Tampa General Hospital](#). The auditors concluded that the hospital's \$7 million in total organ acquisition costs were overstated by \$1.5 million. The largest component of the overstatement was for overstatements in the costs directly traced to kidney, liver, and heart acquisitions and understatements in costs directly traced to heart acquisitions. In the executive summary of their report, the HHS auditors stated:

The hospital's accounting and cost reporting practices contributed to the excess Medicare reimbursement including:

- the use of improper methods for reporting the average costs of organ acquisitions;
- the improper allocation of employee benefits;
- the improper allocation of transplant office costs to the heart acquisition cost center; and
- the unsupported claim for provider-based physician compensation.

The [hospital's] procedures were not adequate to ensure that organ acquisition costs were properly assigned to all users and properly reported to Medicare.

As required by HHS, the chief financial officer (CFO) of Tampa General Hospital provided a written response to the audit. The CFO argued that the hospital's accounting practices were adequate and that most of the overstatement was caused by the use of accounting estimates. The hospital had used prior year data to accrue estimated costs when invoices were not received by the end of the fiscal year. This practice caused some costs to be overestimated and others to be underestimated. The CFO stated, "The errors they found are innocent errors." The hospital agreed to revise its procedures in the future to more accurately estimate costs when invoices are not yet received.

Because of uncertainties, accountants routinely use many types of estimates. They also weigh the costs and benefits in deciding whether to develop more precise accounting methods. Yet, outsiders often assume that accounting is an exact science and that any inaccuracies occur because of wrongdoing. Even for knowledgeable individuals, it is often difficult to evaluate the appropriateness of an organization's accounting procedures. Nonetheless, accountants are increasingly expected to improve the quality of accounting information. Organizations that are subject to public scrutiny, such as Tampa General Hospital, must consider not only the quality of information used internally, but also the public perception about accounting practices.

Sources: S. Snow, "HHS Audit: Tampa General Owes \$1.46 million," *Tampa Bay Business Journal*, May 7, 2003, available at www.bizjournals.com/tampabay/stories/2003/05/05/daily26.html?t=printable; and "Audit of Medicare Costs for Organ Acquisitions at Tampa General Hospital," A-04-02-02017, Office of Inspector General, Department of Health and Human Services, April 17, 2003, available at oig.hhs.gov/oas/reports/region4/40202017.htm.

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Practice Ethical Decision Making	
In Chapter 1, we learned about a process for making ethical decisions (Exhibit 1.11). You can address the following questions for this ethical dilemma to improve your skills for making ethical decisions. Think about your answers to these questions and discuss them with others.	
Ethical Decision-Making Process	Questions to Consider about This Ethical Dilemma
Identify ethical problems as they arise.	Does the accurate assignment of costs on a Medicare cost report create an ethical problem for accountants? Why or why not? How is it possible that an organization might not know its actual costs at the end of a fiscal year?
Objectively consider the well-being of others and society when exploring alternatives.	What are the costs and benefits of using estimates in accounting? Who are the various stakeholders affected by the use of estimates on a Medicare cost report?
Clarify and apply ethical values when choosing a course of action.	Recall that Tampa General Hospital's costs of \$7 million were overstated by \$1.5 million. Was it appropriate in this situation for the hospital to use estimates on its Medicare cost report? What values did you use to arrive at your conclusion?
Work toward ongoing improvement of personal and organizational ethics.	What is the role of the accounting system and procedures in helping an organization meet its responsibilities to various stakeholder groups?

Assignment Design

ACTIVITY

Evaluate the design of part 3 the WorldCom assignment (p. 3 of this handout).

- Should the assignment be redesigned?

- What additional support/guidance would help students perform better on this assignment?

- What ideas do you have for conducting an effective classroom discussion of this assignment?

Motivating Students

Discuss with students the benefits of developing ethical reasoning skills (needed in later coursework, skills required in workplace, improved thinking for personal and civic lives, etc.)

Have students address interesting open-ended ethical problems that they are likely to perceive as relevant to their lives and/or careers.

ADDRESS EMOTIONAL REACTIONS

GRADING

Developing a Rubric for Assessing/Grading Ethical Reasoning Problems

RUBRIC: Set of scoring guidelines for assessing student performance

Ideally, an assessment/grading method should provide students with useful feedback by pointing to ways they can improve

Use the information of pages 8 & 12 of this handout to develop ideas for descriptors that could be used in a rubric

Great resource to help you design grading rubrics:

Walvoord, B. E. and V. J. Anderson. (1998). *Effective Grading: A Tool for Learning and Assessment*. San Francisco: Jossey-Bass. Provides examples and detailed explanations of "primary trait analysis," which uses descriptions of levels of student performance for assessment.

Example of a Grading Rubric

Below is the rubric I used to grade the WorldCom case assignment (page 3 of this handout).

For each student, I circled the relevant descriptions and returned the rubric with the paper (which included additional grading comments).

	Weak	Average	Professional
Part 1: Motivation Behind Fraud Maximum 5 points Points Earned: __	Points: 0 or 1 <ul style="list-style-type: none"> • Little or no understanding of the motivation behind the fraud 	Points: 2 or 3 <ul style="list-style-type: none"> • Focus on a small subset of motivations behind the fraud OR copied issues from assignment rather than explain in own words 	Points: 4 or 5 <ul style="list-style-type: none"> • Identify a wide range of reasons for the fraud
	Here are motivations cited in the case materials: <ul style="list-style-type: none"> • Link between reported financial results and stock price <ul style="list-style-type: none"> ◦ Company growth strategy, in which shares of stock were used to acquire other companies, depended on continued increase in stock price ◦ Top executives had personal wealth tied to stock price (stock options, borrowings against stock value) • Industry-wide downturn occurred, impairing ability to meet growth forecasts • Corporate culture that denied reality; Top executive continued to announce high growth forecasts 		
Part 2: Effect on Financial Statements Maximum 7 points Points Earned: __	Points: 0 or 1 <ul style="list-style-type: none"> • Unable to properly explain the effect of capitalizing rather than expensing the line costs 	Points: 2 to 4 <ul style="list-style-type: none"> • Explains ONLY the direct effect on the balance sheet and income statement OR copies passages from assignment rather than explaining in own words 	Points: 5 to 7 <ul style="list-style-type: none"> • Properly explains the direct effect on the balance sheet, income statement, and statement of cash flows and ALSO explains: <ul style="list-style-type: none"> • Effects of capitalization on depreciation expense • Effects of capitalization on income taxes
Part 3: Ethical Reasoning Essay Maximum 13 points Points Earned: __	Points: 0 to 3 <ul style="list-style-type: none"> • Identifies at most one or two alternatives • Unable to identify uncertainties about how to respond • Provides disconnected or illogical arguments • Does not directly describe effects of decision on others • Describes only the most obvious effects for self • Unable to explain how factors were weighed in proposing a course of action 	Points: 4 to 8 <ul style="list-style-type: none"> • Identifies only a small number of alternatives (usually 2-3) • Identifies only a small number of uncertainties about how to respond (usually 2-4) • Provides logical arguments, focused primarily on supporting the conclusion • Provides little or only superficial discussion of effects of decision on others • Describes effects on self in a superficial way • Conclusion lacks an objective evaluation of alternatives; weighing of factors unclear 	Points: 9 or 13 <ul style="list-style-type: none"> • Identifies a wide range of viable alternatives • Incorporates understanding of uncertainties into evaluation of alternatives • Provides arguments, but also discusses assumptions and implications of uncertainties • Identifies a range of other stakeholders and addresses their interests • Demonstrates complex understanding of how the decision might affect self • Clarifies values and trade-offs made in reaching a conclusion

Course and Accounting Program Implementation Issues

ACTIVITY

If we want to improve students' ethical reasoning skills, what do you see as the course and program implementation issues?