Responsibilities and Choices: An Active Engagement Exercise for Introductory Accounting Courses

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Bios of authors

Akhilesh Chandra teaches in the area of accounting and information systems at The University of Akron. His current research examines ethical issues, and the impact of technology on the design and assurance of management control systems. Some of the journals in which his work is published include *Communications of the ACM*, *Communications of AIS*, *Decision Support Systems*, *International Journal of Accounting Information Systems*, and *Journal of Information Systems*. He has organized six annual symposia on information systems security, risk and assurance that has become a highly visible and respected event in the region and has attracted national and international experts as speakers.

Thomas G. Calderon is the Chair and Professor of Accounting in The University of Akron. He is the past chair of the AAA's Teaching & Curriculum Section and past president of the AAA Ohio Region. He has published numerous academic and professional articles in auditing, information systems, and accounting education. His articles have appeared in *Auditing: A Journal of Practice & Theory*, *Journal of Information Systems*, *International Journal of Accounting Information Systems*, *Communications of the ACM*, *Advances in Accounting*, *Advances in Accounting Education*, *Issues in Accounting Education*, *Journal of Accounting Education*, *Managerial Auditing Journal*, and many others.

Mark M. Welfley joined the University of Akron as an Instructor in the College of Business Administration where he teaches the Micro Applications for Business course. Mark was recognized as Outstanding Teacher by Phi Gamma Delta Fraternity in 2007. His research interests include Assessing the Ethical Behavior of Accounting and Business Majors. Mark founded Welfley Technologies, an IT firm, in 2000. Earlier, he worked for Philadelphia based Hunt Corporation, a market leader in office products, managing new product development and international marketing. Prior to Hunt, Mark served as Senior Marketing Manager at Pentel of America, a leading manufacturer of writing instruments, in Los Angeles, California.

Abstract
(including the topical area addressed within the financial/managerial sequence)

This active engagement exercise provides students with an opportunity to perform a basic due diligence task, complete a relatively simple working paper to document their work, and make a decision. The task is divided into three phases: search and discovery, analysis and computation, and decision. The exercise has embedded moral temptation and ethical issues, and examines ethical choices that students make in the presence of time pressure and reward structures that encourage aggressive performance. The instructor evaluates students' ethical decision choices based on a comparison of due diligence work reported by students with actual work performed as evidenced by system logs.

The exercise requires students to review various source documents and verify that each line item was posted correctly in a worksheet used to compute earnings before interest and taxes (EBIT). Students are most comfortable with the exercise after they have completed the accounting cycle in the basic financial accounting course. The exercise could also be readily incorporated into the introductory managerial accounting course after students have covered basic cost concepts or job order costing. Students need to be familiar with editing and navigating in electronic spreadsheets. Instructors who teach introductory spreadsheet applications courses in the accounting program may also find the exercise useful. The exercise could be embedded into those courses as supplementary material in the sections of the courses identified above or it could be included as a part of a separate module on ethics in each of those courses. Outcomes from this exercise may be used as evidence for assurance of learning related to ethics and professional responsibility in the accounting program.

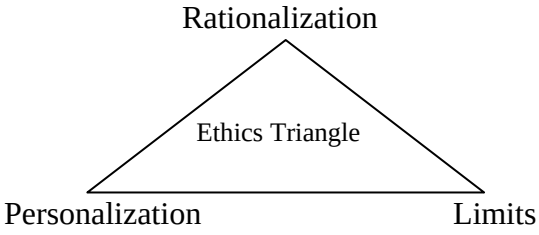
Learning Objectives

The exercise has the following learning objectives:

1. To foster increased awareness of ethical issues and professional responsibilities.
2. To encourage accounting students to reflect critically on their own ethical behavior early in the accounting curriculum.
3. To simulate an actual ethical behavior task under time constraints.

Innovations in Learning

1. Examine students' actual behavior.
2. Engage students, through a debriefing session, to reflect on their own individual decisions and promote introspection and awareness of ethical behavior.
3. Offer a repeatable, reliable method to illustrate the ethics triangle (rationalization, personalization and limits) in a classroom setting.



Core Competencies Addressed
(vide www.aicpa.org/edu/corecomp.htm)

Specific core competencies addressed by this exercise are tabulated and described below:

AICPA Core Competencies	**As a result of this active learning exercise, a student will be able to**
Functional Competencies	
Decision modeling	• Understand elementary computer-supported decision-making
Risk analysis	• Understand individual risk commensurate with possible consequences of choices and decisions.
Reporting	• Construct concise and clear documentation of their work in the form of audit working papers
Research	• Efficiently and effectively search and discover relevant information that has a bearing on a problem
Leverage technology to develop and enhance functional competencies	• Use technology for search and discovery, as well as computation and analysis
Personal competencies	
Professional demeanor	• Understand and follow procedures • Produce a reasonable volume of quality work • Demonstrate ethical responsibility and professional conduct
Problem solving and decision making	• Independent problem resolution • Apply materiality concept • Understand interrelationships of information and data • Understand the meaning and significance of ethical decision-making.
Interaction	• Interact with peers and the instructor during a debriefing session. • Reflect on ethical choices and consequences
Communication	• Complete a basic working paper effectively • Communicate a decision concisely
Project management	• Organize and plan work • Manage time • Prioritize activities to complete a task
Leverage technology to develop and enhance personal competencies	• Use technology to improve efficiency, including spreadsheets and word processing
Broad Business Perspective Competencies	
Strategic/critical thinking	• Think critically about the significance of ethical behavior and ethical decision-making • Develop a healthy skepticism and look critically at numbers • Begin a project with the end in mind
Industry and sector analysis	N/A
Legal and regulatory perspective	N/A
Leverage technology to develop and enhance broad business perspective	N/A

Detailed Description of the Case/Activity

Scenario

Students are presented with a task that requires them to verify the accuracy of postings of each line item from five invoices to an electronic worksheet (Microsoft Excel) used to estimate the profitability of a new project. In addition, students are required to certify whether the project which uses the inventory items from the five invoices generates an EBIT above a predefined management threshold. EBIT is automatically generated for the student after they make corrections, if any, to the worksheet. Students can receive up to 20 points for the project. The points are distributed in a manner that rewards short-term individual gain that may result from unethical behavior.

Students are given a work plan "like an audit program" to complete their due diligence task. Invoices are available electronically via WebCT. Students search through WebCT to locate each invoice and then review them to determine if all line items match correctly with the postings in the worksheet. On a separate piece of paper, students write a checkmark next to each step they complete in a predefined work plan provided by the instructor. After verifying all postings and the correctness of each line item, students certify the accuracy of their work and whether the EBIT meets management's expectations. The time to complete the task is limited to five minutes.

Ethical behavior is assessed by comparing and evaluating students' work papers, decisions, certifications, WebCT logs and Microsoft Excel® workbook results.

Goal: The goal is to locate and review invoices, verify the accuracy of postings, and certify that EBIT of the new project exceeds management's threshold.

General process to conduct the exercise

1. An Excel workbook containing computations of a company's EBIT for two years is placed on the server. Students are required to download the Excel file in their desktop folder.
2. Students are given an overview handout which describes various details of the task and the background of the client's company being advised.
3. Students are expected to review and incorporate information (as needed) from a set of files placed on the server to assist them in their review—search and discovery phase.
4. The Excel worksheets contain errors in formulae, numbers and calculations. The task of students is to review the computations and certify their accuracy in making recommendation to the client's management—analysis and computation phase.
5. The extant literature documents that time pressure adversely affects the quality of judgment of professional accountants. Therefore, consistent with the prior literature, inclusion of time pressure helps us assess students' ethical choices when they are faced with a relatively tight time budget.
6. In the decision phase, students certify the accuracy of data, computations and EBIT ratio for the new product. For each student, the system logs the details of information accessed and changes made to the worksheet.

7. Students also use a checklist to document the individual activities they completed in making recommendations. This task mirrors maintenance of audit working papers in a typical assurance project. The response provided is matched against the audit trail captured by the system to assess the student's ethical behavior.
8. At the end of the exercise, the instructor engages students in a debriefing session to discuss embedded ethical issues, alternate ways to deal with ethical dilemmas, and implications for accountants of non-ethical behavior.