**Chapter 1 Discussion Questions**

**Suggested Discussion and Solutions**

1. **A common ethical dilemma used to distinguish between philosophical reasoning methods is the following. Imagine that you are standing on a footbridge spanning some trolley tracks. You see that a runaway trolley is threatening to kill five people. Standing next to you, in between the oncoming trolley and the five people, is a railway worker wearing a large backpack. You quickly realize that the only way to save the people is to push the man off the bridge and onto the tracks below. The man will die, but the bulk of his body and the pack will stop the trolley from reaching the others. (You quickly understand that you can’t jump yourself because you aren’t large enough to stop the trolley, and there’s no time to put on the man’s backpack.) Legal concerns aside, would it be ethical for you to save the five people by pushing this stranger to his death? Use the deontological and teleological methods to reason out what you would do and why.**

Is it Ethical to Save Five People at the Expense of One?

**Lessons from the Talmud**

The Trolley Problem is a thought experiment in ethics, first introduced by Philippa Foot in 1967. Others have also extensively analyzed the problem including Judith Jarvis Thomason, Peter Unger, and Frances Kamm as recently as 1996. The authors used these problems in ethics class to challenge students’ moral intuition.

The choice is between saving five lives at the cost of taking one life. Before we get to the “answers,” we want to explain how one researcher is using MRI technology to map brain response while analyzing the dilemma. Joshua Greene at Harvard University was more concerned to understand why we have the intuitions, so he used functional Magnetic Resonance Imaging, or fMRI, to examine what happens in people’s brains when they make these moral judgments.

Greene found that people asked to make a moral judgment about “personal” violations, like pushing the stranger off the footbridge, showed increased activity in areas of the brain associated with the emotions. This was not the case with people asked to make judgments about relatively “impersonal” violations like throwing a switch. Moreover, the minority of subjects who did consider that it would be right to push the stranger off the footbridge took longer to reach this judgment than those who said that doing so would be wrong. Interesting results to say the least.

Many do not believe it to be ethical to intentionally end someone else's life whether it is to save others or not. Most do not believe it is a moral responsibility to sacrifice one life in order that others may go on. If you push someone in the way to save others, you may as well say you killed a man. How could you forgive yourself? The man has a family and people who love him, so how could you explain your actions to his family?

We have no right to sacrifice the life of one person to save others. There is a saying from the Talmud, an authoritative record of rabbinic discussions on Jewish law, Jewish ethics, customs, legends and stories: “Whoever destroys a soul, it is considered as if he destroyed an entire world. And whoever saves a life, it is considered as if he saved an entire world.”

We have no right to decide who lives and who dies. Yes, if we can save one person without harming others we have a moral obligation to do so. However, to save one life while sacrificing others is an arbitrary act in many ways. What if the one sacrificed is a humanitarian, well-respected and well-known person who works tirelessly for the poor and others who can’t help themselves? What if those saved are criminals who committed murder and escaped from prison. You see the dilemma? Who are we to judge who is a good person, and be saved, and who is a bad person? We should focus on leading the best possible life we can; to serve others whether through medicine, the clergy, the law, a teacher, nurse, or first-responder.

Utilitarianism might be used to rationalize saving the life of five people by sacrificing one person’s life. We could say that more people benefit than are harmed by taking that action. This is consistent with act utilitarianism. On the other hand, a rule utilitarianism approach would posit that certain rules should never be violated in the name of maximizing net benefits. One rule is that it is wrong to take a life of another. Thus, rule utilitarianism is a modifying force on the literal application of act utilitarianism.

1. **Another ethical dilemma deals with a runaway trolley heading for five railway workers who will be killed if it proceeds on its present course. The only way to save these people is to hit a switch that will turn the trolley onto a side track, where it will run over and kill one worker instead of five. Ignoring legal concerns, would it be ethically acceptable for you to turn the trolley by hitting the switch in order to save five people at the expense of one person? Use the deontological and teleological methods to reason out what you would do and why.**

Again, like above in number 1 you should not intentionally take a life, but if your intentions were to save four people at the sacrifice of one life, and if you were unaware of the damage it would do to the sole man, then you acted out of goodwill and that is more admirable. We can envision a cost-benefit analysis of the ethical dilemma that supports saving four lives at the expense of a fifth person. On the other hand, all of those people have a right to live and no one has the right to decide who lives and who dies.

1. **The following two statements about virtue were made by noted philosophers/writers:**
	1. **MacIntyre, in his account of Aristotelian virtue, states that integrity is the one trait of character that encompasses all the others. How does integrity relate to, as MacIntrye said, “the wholeness of a human life”?**

Integers are whole numbers. This is the base word for integrity. Things with integrity are the same all the way through, or whole throughout. Thus, integrity equates with the consistency of one's actions. We must be consistently ethical to become an ethical person. If we can assume that everyone knows good treatment of their own interests and everyone knows good choices for their own short run, integrity might mean applying those same best choices to situations which affect others or affect the long run of all concerned.

A person of integrity acts with courage, sincerity, and honesty. Integrity encompasses all the other traits or values of character because it also implies action. Integrity requires a person to be honest, but to also act on that honesty. Integrity requires that a person have courage but also to act on that courage. Integrity requires that people not only have principles and values, they also have to stand by those principles and values and not bow to pressure thereby foregoing those principles.

Students often think that integrity is synonymous to honesty. Many dictionaries even state that honesty is the synonym for integrity and vice versus. Yet, just because a thief is being honest in one circumstance does not mean that he has integrity. A thief may admit to stealing only after being caught. We might say it is an honest act but it lacks integrity because the thief failed to consider the consequences of his actions on those he stole from or their rights not to be robbed. Moreover, the thief failed to admit the mistake after being caught; promise not to do it again; and then act consistently with the integrity standard thereafter. A way to consider integrity is how consistently honest a person is, not just whether that person was honest in one circumstance.

* 1. **David Starr Jordan (1851–1931), an educator and writer, said, “Wisdom is knowing what to do next; virtue is doing it.” Explain the meaning of this phrase as you see it.**

This quote addresses the fact that it is not enough to know what is right or wrong; one must also act on that knowledge. Knowledge without action would be hollow. The well-known author Maya Angelou (1928 - 2014) has said that “Courage is the most important of all the virtues, because without courage you can't practice any other virtue consistently. You can practice any virtue erratically, but nothing consistently without courage.”

Ethical dilemmas are situations where deciding what is best requires weighing ethical arguments between alternatives. Deciding what the best thing to do is almost always easier than actually doing it. Josephson Institute refers to moral temptations as a choice which is clear but still unattractive. The ratio of moral temptation to ethical dilemma might be four to one. Even those of us with the worst eating and exercise habits seem to know a lot about healthy alternatives. However, making yourself eat vegetables when you are hungry for chocolate is difficult and making yourself consistently prefer vegetables to cheeseburgers might require something beyond our abilities. Wisdom is mostly knowledge but virtue is mostly desire, and habit.

* 1. **Do you think it is the same to act in your own self-interest as it is to act in a selfish way? Why or why not?**

Acting selfishly and in your own self-interest are not the same thing. Normally, acting selfishly is only being concerned with self, not others, and being very short sighted; it is being concerned with immediate gratification of some sort. Acting in one’s best interest may also mean acting in the best interest of all involved. For instance, I can turn up the television loud while I study because that is what I like, who cares if it is bothering my roommate or anyone else. Or, I have the television at a moderate volume so as not to disturb my roommate or anyone else. Or, I could use earphones so my roommate is not disturbed at all. I do this in hopes that I am not disturbed by loud volumes at 3 am while I’m trying to sleep and my roommate is coming in from a job. In the former case I am acting selfishly and in the other I am acting in my self-interest while considering others. In short, acting in my self-interest may be to act selfishly but only after I have considered how my actions affect others and weigh it in my decision.

* 1. **Do you think “enlightened self-interest” is a contradiction in terms, or is it a valid basis for all actions? Evaluate whether our laissez-faire, free-market economic system does (or should) operate under this philosophy.**

“Enlightened self-interest” may seem like a contradiction in terms. Nevertheless, an individual has to be “enlightened” to consider the long term effects of a choice upon self, others, and the whole of humanity. For example, an individual may want the road near his house to be free of litter out of self-interest (resale value, dislike of clutter and untidiness, etc.), but can extend that desire to wanting all the roads of a neighborhood or city to be free of litter for the good of the community. In fact, long term self-interest requires that an individual consider others, since an individual does not live in a vacuum without interaction with others. A person who uses enlightened self-interest as a basis for ethical actions hopes others will consider her interests when making a decision that affects that person. A totally selfish person will probably face negative consequences from others.

The doctrine of laissez-faire, a free market system is based upon the belief that economies should not be encumbered by regulation; an economy works best with enlightened self-interest, competition, and the laws of supply and demand. Adam Smith used the term “invisible hand” to describe how enlightened self-interest, competition, and supply and demand worked to self-regulate markets without needing government intrusion. The 2007-2008 financial crisis has raised questions as to whether the invisible hand works. There were many cases during the crisis where enlightened self-interest gave way to greed and egoism. Such cases have raised cries for new/stricter regulations of the free markets. Although competition and, sometimes, supply and demand can be regulated, can self-interest, egoism or greed really be regulated? If those could be regulated, then regulations alone could create and protect a moral economy.

1. **In this chapter, we have discussed the Joe Paterno matter at Penn State. Another situation where a respected individual’s reputation was tarnished by personal decisions is the resignation of David Petraeus, former U.S. military general and head of the Central Intelligence Agency (CIA). On November 9, 2012, Petraeus resigned from the CIA after it was announced he had an extramarital affair with a biographer, Paula Broadwell, who wrote a glowing book about his life. Petraeus acknowledged that he exercised poor judgment by engaging in the affair. When Federal Bureau of Investigation (FBI) agents investigated the matter because of concerns there may have been security leaks, they discovered a substantial number of classified documents on her computer. Broadwell told investigators that she ended up with the secret military documents after taking them from a government building. No security leaks had been found. In accepting Petraeus’s resignation, President Obama praised Petraeus’s leadership during the Iraq and Afghanistan wars and said: “By any measure, through his lifetime of service, David Petraeus has made our country safer and stronger.” Should our evaluation of Petraeus’s lifetime of hard work and Petraeus’s success in his career be tainted by one act having nothing to do with job performance?**

Although at first glance adultery had nothing to do with Petraeus’ job, an officer in the military is subject to the Uniform Code of Military Justice (UCMJ). Under article 133 an officer can be court-martialed for conduct unbecoming to an officer and a gentleman. Article 134-2 identifies adultery as an act unbecoming to an officer and a gentleman. The timing of the affair between Broadwell and Petraeus is not known, but many have opined that had the affair been during his time as general he would have been subject to court-martial and possibly dishonorably discharged from the Army.

Conduct unbecoming to an officer and a gentleman is premised upon the fact that leaders cannot be seen as willing to violate their own rules, principles and those of the organizations they represent.

Under the Six Pillars of Character, Petraeus violated the pillar of trustworthiness. Leaders cannot enforce rules that they violate, and they cannot maintain trust by showing that they are willing —as in adultery—to betray others to whom they have promised fidelity. And when a leader breaks the rules of his own organization, the message sent throughout the organization is that breaking rules is really OK. Lying is fine. Integrity doesn’t matter. Once that cultural norm is inflicted on an organization by its leader, the organization itself will become dysfunctional, untrustworthy and corrupt. A leader must be trusted to mean what he says, and to act according to the stated rules of the organization he leads.

A similar situation is the Lance Armstrong affair where he repeatedly lied about not using performance enhancing drugs. His good reputation was tarnished by this act and a lifetime of being a role model and doing good works through his Live Strong organization went down the tubes. The Joe Paterno situation is another such case. Remind students that it takes a long time to build a reputation for trust but not very long to lose it.

Update: In April 2015, former CIA director and retired general David Petraeus pleaded guilty to a misdemeanor charge of handing over classified information to his mistress and biographer, Paula Broadwell. He was sentenced to two years’ probation and a $100,000 fine. Petraeus had passed on several 5-by-8 inch black notebooks containing classified information to Broadwell. Despite his conviction, the former general remains a trusted adviser to the White House on its strategy in Iraq.

Students might enjoy discussing the similarities between Petraeus and Hillary Clinton in the use of her personal email server for state department business. There is concern about the proper classification of material sent, both at the time of sending it and in hind sight. When personal servers are used, the determination of classification can, after the fact, render top secret information more vulnerable to outside influences and cause more harm than if the security systems protecting the state department computer systems were at play. Do the policies and criteria for handling of classified materials need to be changed in the current environment of communications devices?

1. **One explanation about rights is that “there is a difference between what we have the right to do and what is the right thing to do.” Explain what you think is meant by this statement. Do you believe that if someone is rude to you, you have a right to be rude right back?**

Having a right to do something allows one to be concerned with one’s self interest only (egoism). Doing the right thing often requires one to consider others besides and before one’s self (at a minimum enlightened egoism, but also utilitarianism, deontology, justice, and virtues). An example is shouting there is a fire in a crowded movie theater. We have the right to do so but it is not the right thing to do.

Rudeness begets more rudeness and eventually breaks down civility. People start to be taken for granted and not treated as individuals who should be respected absent some reason not to do so. Students sometimes treat instructors rudely by continuing to talk after the instructor attempts to begin her lecture. Ask students how they would feel if you, as the instructor, engage in a conversation with a student in class while observing a final oral presentation of another student. Would it disrupt the flow of what that student wants to say? Will he lose his train of thought?

1. **Steroid use in baseball is an important societal issue. Many members of society are concerned that their young sons and daughters may be negatively influenced by what apparently has been done at the major league level to gain an advantage and the possibility of severe health problems for young children from continued use of the body mass enhancer now and in the future. Mark McGwire, who broke Roger Maris’s 60-home-run record, initially denied using steroids. He has never come close to the 75 percent positive vote to be in the Hall of Fame. Unfortunately for McGwire, his approval rating has been declining each year since he received 23.7 percent of the vote in 2010 and only 10 percent of the sportscasters voted in 2015 to elect him into the Hall. Some believe that Barry Bonds and Roger Clemens, who were the best at what they did, should be listed in the record books with an asterisk after their names and an explanation that their records were established at a time when baseball productivity might have been positively affected by the use of steroids. Some even believe they should be denied entrance to the baseball Hall of Fame altogether. The results for Bonds (36.8 percent) and Clemens (37.5 percent) in their third year of eligibility (2015) were not close to meeting the 75 percent requirement, and that led some to question whether these superstars would ever be voted into the Hall. Evaluate whether Bonds and Clemens should be elected to the Hall of Fame from a situational ethics point of view.**

Using steroids is cheating. What theories would support cheating? Virtue ethics emphasizes that doing the right thing should become a habit. Deontology would emphasize the duty of doing the right thing. Fairness would emphasize equals competing against one another on a level playing field. When athletes compete against one other, each one should have the same advantages and disadvantages. Another concern with steroids is safety. If competition is pressuring some individuals to do dangerous things, agreeing about what *everyone* will not do protects all from that pressure.

Steroids might increase speed and strength if well administered and athletes could make a case that if every baseball player had access to them competition would be equalized; similar to giving every one access to good shoes or the weight room. There are two dangerous issues to consider. A steroid-using batter facing an equally enhanced pitcher might seem fair, and steroid-using Yankees against steroid-using Red Sox might seem fair, but faster pitching hit by stronger hitters might create a danger to spectators and players.

Underneath an almost cult like reverence for athletes is the celebration of sporting, unearned luck of birth talent, healthy respect for the virtues of diligence, courage, dedication, discipline, and sometimes teamwork. Baseball is different from some other sports in that until very recently, it looked like a sport anyone could play. Baseball looks like a fair game in that short guys, fat guys, skinny guys, and athletic looking guys all got to play. In ordinary life, we are not all born with talent and not all born with inherited resources but we all can be diligent, brave, honest, and fair.

Students may argue that cheating has become part of our culture so why should sports be any different. They may argue this point using ethical relativism. A useful response is that if everyone were allowed to use steroids, where would it stop? What about 'corked bats.' What about 'juiced up' baseball balls to allow for more home runs? What about pitchers throwing 'spit balls'? All of these things have happened over time and steroid use is just the choice method of cheating in today's sports society, or so the student argument may go. The problem is ethical relativism allows each person to decide for herself what is right or wrong, a clear violation of the universality perspective in Rights Theory.

It is worth mentioning that the players elected to the Hall of Fame in 2015 all had twice the approval rate as Bonds and Clemens as follows: Randy Johnson (97.3%); Pedro Martinez (91.1%); John Smoltz (82.9%); and Craig Biggio (82.7%).

1. **Your best friend is from another country. One day after a particularly stimulating lecture on the meaning of ethics by your instructor, you and your friend disagree about whether culture plays a role in ethical behavior. You state that good ethics are good ethics, and it doesn’t matter where you live and work. Your friend tells you that in her country it is common to pay bribes to gain favor with important people. Comment on both positions from a relativistic ethics point of view. What do you believe and why?**

The basic moral principles of respect, fairness and kindness are timeless and worldwide; although different circumstances can affect how they are implemented. There have to be certain ways of treating people that almost always hurt and are almost always wrong; you might mention a few obvious ones, like robbery, rape, and murder. Likewise, there are cultural practices of great importance without moral significance. An example is which side of the road you drive on. Left and right sides might be morally equal, but once everyone promises to drive on the left side, the wrong side becomes promise-breaking and deadly. Playing “football” in any country besides the United States implies a promise not to use one’s hands, and doing so would be considered cheating. Touching the ball and thereby breaking the rules might ruin the game, but is not often a life and death betrayal. In many countries, restaurant staffs are not tipped, in other countries, nearly everyone tips the same percent and in some places how much you tip is influenced by how well you are treated. A lot, but not all of cultural morality differences are unwritten rules and expectations that seem fair if applied to and by everyone. Arbitrary choices become moral obligations when other peoples’ well-being depends on keeping promises to follow those choices. Some cultural differences in morality have to do with beliefs more than differences in ethical reasoning. In some places, people are accorded better treatment according to their sex, age, race, wealth, or status. This mixes personal traits which are earned with traits that unearned or due to birth. If you believe wealth and power are earned, then their privileges seem fair, but if you believe children do not choose or earn their parents, then those very same privileges are unfair and discriminatory.

Hofstede's cultural variables might be discussed here. In countries with a low score on Individualism, it might be argued that cheating is ethical because it brings benefits to the entire society or work group. This is the argument sometimes used in some countries where software piracy is tolerated and even encouraged.

Paying bribes is a way of conducting business in some countries. In others it is considered unethical. In the U.S., small amounts of bribes that are made to induce a person to do what they should be doing anyway by virtue of their position is known as a facilitating (“grease” payment) and legal. On the other hand, bribing someone to do something they are under no obligation to do is wrong and unethical. It does not mean one country is good while the other is bad. The key question is should a U.S. company do business in a country with a culture where grease payments are a way of life and bribery is tolerated. Is it the old adage that “When in Rome, do as the Romans do?” Or, should U.S. companies apply an American ethical perspective to doing business in other countries with differing cultures?

1. **Hofstede’s Cultural Dimensions in** [**Exhibit 1.2**](file:///C%3A%5CUsers%5Csmintz%5CAppData%5CLocal%5CTemp%5Caa04528ac8e1494684932e00037d9a3d) **indicate that China has a score of only 20 in Individualism, while the U.S. score is 91. How might the differences in scores manifest itself when the public interest is threatened by harmful actions taken by a member of management who has direct control over an employee’s standing within the organization? Should cultural considerations in this instance influence ethical behavior?**

Individualism (IDV) focuses on the degree that the society reinforces individual or collective achievement and interpersonal relationships. In individualist societies (high IDV), people are supposed to look after themselves and their direct family, while in collectivist societies (low IDV), people belong to “in-groups” that take care of them in exchange for loyalty. Imagine, for example, you are the manager of workers from different cultures and cheating/unethical behavior occurs in the workplace. A workgroup with collectivist values such as China (low IDV) might be more prone to covering up the behavior of one member of the group, whereas in the United States (high IDV), there is a greater likelihood of an individual blowing the whistle.

Culture of upbringing and family background affect an individual’s value system. It is up to the individual to act upon those values. As discussed in the answer to question 3, an individual needs integrity, courage, wisdom and virtue to act upon one’s convictions and values.

* 1. **What is the relationship between the ethical obligation of honesty and truth telling?**

Ask Students to differentiate between telling a lie and breaking a promise. List some lies no one believes and therefore are not very harmful and list some lies that people might believe and thus could be hurt by believing them. List some promises no one believes and some people might believe and could count on, to their detriment.

Have we sometimes “promised” to tell the truth and other times “almost warned” people that we weren't going to tell the truth? Telling the truth reveals our respect for the other person’s decision making ability when he is provided the truth. We lie to people we think would misuse the truth in unfair or dangerous ways. Keeping the truth secret or deceiving people is only effective when those people believe we are providing them with the truth. Lies only work if we lie infrequently enough, to be believed and relied on when we do lie. There are lies of commission (lying intentionally) and lies of omission (lying by not telling the whole truth; the omitted information might influence decision-making). In accounting, a lie of commission might be lying about the financial position of a company by inflating revenues, assets, or capitalizing expenses; all of which are fraud. A lie of omission might be not fully disclosing information required by GAAP. Here, it is also unethical because the public has a right to know about all information that might influence their decision-making.

Honesty is about keeping promises to tell the truth. Accepting our promise to tell the truth puts someone in a relationship of trust with us. In the terms of Robert Fulghum in All I Really Need to Know, I Learned in Kindergarten, a promise is like riding the teeter-totter: Believing promises puts you at risk of a hard fall, but breaking promises leaves you alone and unable to play.

* 1. **Is it ever proper to not tell someone something that he or she has an expectation of knowing? If so, describe under what circumstances this might be the case. How does this square with rights theory?**

First, ask students if there is a difference between the expectations of knowing versus the right to knowing. For example, as college students their parents may have an expectation of knowing their grades; however, unless the students are dependents of their parents, the parents do not have a right to know the students’ grades.

The conflict of not telling someone something that he may have a right to know is a choice between two rights. This situation may cause a person to tell a lie. For example, assume John works in payroll for PQR Inc. PQR has announced that it will be laying off 100 people from its workforce. Due to the need to prepare all the separation paperwork and final payroll for the employees being laid off, John knows who the 100 employees are. He has sworn to keep the list secret until management has told each of the employees. One of his co-workers is on the list. This co-worker comes to John and asks if she is on the list. She is a single mother and wants to start looking for another job if she needs to do so. How does John choose between his co-worker and the requirements of his job?

If John decides that his co-worker has the right to know the pending lay-off, he may be using the virtue of caring or empathy to justify his action. He will have chosen loyalty to his co-worker over loyalty to his employer. However, since confidentiality and trustworthiness are important principles for accountants, choosing loyalty to his co-worker over his employer could limit his career. Also, using rights theory, why does the co-worker have a right to know the impending lay-off result but not the other 99 employees? What if another employee has even more compelling concerns that John is unaware of? This is a good question to discuss justice. Equals should be treated equally and unequals, unequally. Does his co-worker have a higher claim (i.e., right) to know the truth than other workers? If John tells his co-worker because of her personal situation, should he make an effort to find out about that of other workers? What about a worker with a sick child or parent and lots of bills to pay? Where do we draw the line?

1. **Is there a difference between cheating on a math test, lying about your age to purchase a cheaper ticket at a movie theater, and using someone else’s ID to get a drink at a bar?**

All are examples of lying and affect one’s character through honesty and integrity. Many will use many rationalizations to justify the lying. Some may try to split hairs between what is wrong and what is more wrong – an ethical relativistic approach that should not be used. Just imagine a business that decides one improper financial reporting act is not as bad as another, so the former is allowed.

Virtue ethics would want doing the right thing to become a habit. Deontology would emphasize the duty of doing the right thing and telling the truth, not just when it is convenient or does not intervene with personal desires of making a better grade without studying, paying more for a movie ticket or a minor obtaining an alcoholic beverage. Ethical behavior requires consistency of action and not a relativistic or situational perspective.

1. **Do you think it is ethical for an employer to use social media information as a factor when considering whether to hire an employee? What about monitoring social networking activities of employees while on the job? Be sure to use ethical reasoning in answering these questions.**

Social media is one of the most popular forms of communication, particularly with Millennials. Anyone can connect with anyone else, or find information about others that may not otherwise be available. Thus, it should not be surprising if firms use social media to research potential job candidates. Firms may argue that social media is a public platform, unless the candidate makes it otherwise, and that it’s their own choice to share the content that is available to anyone who searches for it.

CareerBuilder found in a 2014 survey that 43% of hiring managers who research candidates said they had found information on social media that caused the firm not to hire the candidate. What qualifies as a valid reason to do so?

A platform like LinkedIn allows a firm to fact-check a candidates’ resume or CV. The firm may find out that a candidate lied on their application about qualifications, experiences or other information. This information may cause the firm not to hire the candidate. However, other social media platforms may include pictures, statuses, and likes about illegal activity, bullying, a criminal past, or posts that include racism, sexism, homophobia, or an unpopular political position. Much of the former may be considered speech. However, lying about qualifications and engaging in illegal activity are acceptable factors that might influence a firm’s hiring decision. Personal opinions and free speech would be unethical to use in hiring decisions and may send the wrong message that a future employee should not feel free to speak out if she identifies wrongdoing.

On the other hand, if the employee is seeking a job with a government entity, the standards may be stricter because of the need to take care not to express one’s opinion on controversial matters that may pertain to the work of the agency, albeit not directly related to a specific matter before the agency. In this case it is important for the employee’s statements not to appear to reflect the agency’s position on the matter.

## The firm would be using rights and utilitarianism theories in using social media to research candidates. The firm may think that it has a right to know if a job candidate is lying or engaging in illegal activities. From a utilitarian point of view, the firm wants an end result of hiring an honest job candidate who is not engaging in illegal activities. For example, what if the candidate was a child predator like Jared Fogle, the Subway spokesperson? [On November 19, 2015, Fogle was sentenced to more than 15 years in federal prison after pleading guilty to charges of child pornography and crossing state lines to pay for sex with minors.]

We believe candidates should know that in today world one’s prospective employer may be searching the Internet for character-based information on candidates for positions. It is the candidate’s personal responsibility to act appropriately and be cautious about what they say on the Internet. From a rights and virtue perspective, the firm should notify candidates that it will be researching their backgrounds on social media.

A firm may set policies for appropriate social media activities during the work day and on using company equipment for personal reasons. The firm wants a full day’s work for its pay, and may consider using company time for personal social networking and posting as a form of theft. Setting a company policy on proper use of company computers, email accounts may include usage of the Internet and appropriate surfing of the net, online shopping and other personal activities. A bigger challenge for firms is regulating employees’ usage of a personal smart phone during the work day.

An individual using company time or equipment to access social media for personal activities is acting out of egoism, or self-interest only. You wouldn’t want a personal assistant texting or updating her Facebook status while working for you, so why should you do it when working for others? A firm setting clear guidelines expectations on personal activities on company time, if any, is employing utilitarian, deontological and virtues ethics reasoning. The policy might allow for exceptions such as monitoring the health of a sick child being watched by another.

1. **In a 2014 segment of *Shark Tank,* Trevor Hiltbrand, the founder of nootropic supplement maker Cerebral Success, sought funding from the "Sharks" to introduce a line of nootropic shots to be sold on college campuses in Five Hour Energy-style containers, but encountered some pushback from some of the Sharks who questioned the ethics of marketing to stressed-out, sleep-deprived college students anxious to get good grades. Should it matter if Hiltbrand was trying to capitalize on the need to gain a competitive edge in college by selling something that may not have received FDA approval?**

Nootropics are an emerging class of drugs that are designed to enhance cognitive functions. Many supplements may also tout that they increase focus, alertness and well-being. Many nootropics supplements have had limited studies in humans, and could cause many side effects.

Many accounting students feel pressure in college to make top grades, particularly so that they will get the job offer from a top firm. This leads some to cheat or to use illegal drugs to enhance their focus and cognitive ability. Do you plan to carry over such behavior to the workplace? A legal supplement claiming to enhance cognitive ability would be an instant best seller. Many would be willing to use Cerebral Success out of an egoistic and short term viewpoint. This is when regulators like the FDA step in to protect consumers from the long-term side effects.

Was Hiltbrand really trying to help others or capitalize on the fears of those who choose to use a nootropic supplement? This is an interesting question to explore with students.

An interesting side story is a very positive review of Cerebral Success (4 ½ out of 5 stars) written on a website “Supplement Critique” that purports to have reviews from actual users of the product. Here is the statement on the website to guide those who might want to post a review of a product they have used:

## Thanks for Visiting SupplementCritique.com!

I started this site because I was tired of the millions of fake review sites out there.  Too many websites post reviews about products (specifically sports and health supplements), when they haven’t even tried them!  We aimed to change all of that, and **our mission is to provide you with unbiased reviews of supplements** in the health niche, from weight loss to male performance products.

How do we prove that to you?  Well, [**we ACTUALLY physically test**](http://www.supplementcritique.com/meet-our-product-testers/) **many of the products** we are reviewing, so you can be sure you’re getting real, solid information about how they work.

***If you like, you can post your own review, but we do ask that you send us a picture of you holding a bottle of the product.  We want to make sure our visitors are reading actual results from actual users, not just someone looking for a backlink to their website.***

1. **According to Adam Smith’s *The Wealth of Nations,* when it comes to government oversight in the free market and regulations, the less intervention, the better. Does the government play an important role in encouraging businesses to behave in an ethical manner? Explain the basis for your answer. What role do environmental laws have in a capitalistic system?**

The free market assumes that all players will be ethical and act in the best interest of the market, or community. However, the players are human, tempted by greed, that do not always act ethically or in the best interest of the markets and community. Then the government steps in with laws that set a minimum level of ethics and starts regulating the players. The basis for the government stepping in is utilitarianism and to protect the rights of the public.

Environmental laws consider sustainability and the ability of future generations to share in the benefits of a clean/green society. One could say it is motivated by social welfare, a utilitarian concept. That is, emphasizing the greatest good for future generations.

Besides setting a minimum standard for the environment, these laws also require the community sometimes to pay more for the environmental friendly alternative than would be chosen under cost benefit analysis only. These environmental laws require that the application of utilitarian analysis include the qualitative factors of sustainability and welfare of future generation, not just cost factors alone.

1. **According to the 2011 National Business Ethics Survey conducted by the Ethics Resource Center, *Generational Differences in Workplace Ethics,* a relatively high percentage of Millennials consider certain behaviors in the workplace ethical when compared with their earlier counterparts. These include:**
* **Use social networking to find out about the company’s competitors (37%),**
* **“Friend” a client or customer on a social network (36%),**
* **Upload personal photos on a company network (26%),**
* **Keep copies of confidential documents (22%),**
* **Work less to compensate for cuts in benefits or pay (18%),**
* **Buy personal items using a company credit card (15%),**
* **Blog or tweet negatively about a company (14%), and**
* **Take a copy of work software home for personal use (13%).**

**The report further concludes that younger workers are significantly more willing to ignore the presence of misconduct if they think that behavior will help save jobs.**

**a.       Choose one or more behaviors and explain why Millennials might view the behavior as ethical.**

Many of the behaviors are done out of egoism or the rationalization that “everyone is doing it” or “I’m doing this so I can do my job better.” For example, “friending” a client or customer on a social network may seem innocent enough and a way to learn valuable information about these parties; however, it could be perceived as a way to gain such information prior to striking out on one’s own and starting a new business. The problem with many of the enumerated behaviors is the perception that one’s motives may not be in the best interests of the employer.

b**.      Choose one or more behaviors and explain why you think it is unethical.
Use ethical reasoning to support your points of view.**

Have the students discusswhich of the above behaviors can be defended by virtue, deontology and utilitarian (both rule and act) theories. The students might pick to “friend” a client or customer on a social network as being a good end to help the company. This could lead to a discussion of professional versus personal social media; i.e., LinkedIn versus Facebook. As more companies are using social media to reach and stay connected with clients and customers, this behavior would be ethical if it was part of an employee’s job duties.

16. **How should an accounting professional go about determining whether a proposed action is in the public interest?**

Through the Securities and Exchange Act of 1934, the U.S. government effectively awarded a professional monopoly to CPAs, in return for their commitment to protect the public interest by acting as independent watchdogs over publicly traded corporations. Auditors serve as gatekeepers who protect the interests of stakeholders through monitoring activity within the organization and by providing a financial representation that is unbiased and accurate. The perspective of the auditor as a gatekeeper is consistent with the opinion of the Advisory Panel on Auditor Independence that states: In *United States v. Arthur Young & Co.* [1984] the Supreme Court of the United States described the independent audit as a “public watchdog” function and noted that “if investors were to view the auditor as an advocate for the corporate client, the value of the audit might well be lost”.

The AICPA Code of Professional Conduct has the public interest as its second principle. It defines the public interest to include “clients, credit grantors, governments, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of CPAs to maintain the orderly functioning of commerce.” This principle calls for resolving conflicts between these stakeholder groups by recognizing the primacy of a CPA’s responsibility to the public as the way to best serve clients’ and employers’ interests. In discharging their professional responsibilities, CPAs may encounter conflicting pressures from each of these groups. According to the public interest principle, when conflicts arise the actions taken to resolve them should be based on integrity, guided by the precept that when CPAs fulfill their responsibilities to the public, clients' and employers' interests are best served.

17. **Distinguish between ethical rights and obligations from the perspective of accountants and auditors.**

Ethical rights describe how a person is entitled to be treated by another person. Ethical obligations are the duties to treat others in an ethical manner. Ask students what they think are their rights. Now which of those rights have an ethical basis? Have the students make a list of their ethical rights. If a student’s ethical right conflicts with the student’s ethical obligation, what should a student do?

From the perspective of accountants and auditors, obligations to the public are to act with integrity, be independent of clients both in fact and appearance, make objective decisions, and act in a responsible and trustworthy manner. The public has a right to receive accurate and reliable financial information to make informed decisions. Thus, the rights of stakeholders and the obligations of accountants and auditors to those stakeholders are the flip sides of the same issue.

18. **Using the concept of justice, evaluate how an auditor would assess the equality of interests in the financial reporting process.**

Justice as fairness is the basis of the objectivity principle in the AICPA Code that establishes a standard of providing unbiased financial information. In our discussion of ethical behavior in this and the following chapters, questions of fairness will be tied to making objective judgments. Auditors should render objective judgments about the fair presentation of financial results. In this regard, auditors should act as impartial arbiters of the truth, just as judges who make decisions in court cases should. The ethical principle of objectivity requires that such judgments be made impartially, unaffected by pressures that may exist to do otherwise. An objective auditor with knowledge about the failure to allow for the uncollectible receivables would not stand idly by and allow the financial statements to be materially misleading.

When we look at the traditional notion of justice as treating equals, equally, we can say that investors and creditors have a greater demand and need for accurate and reliable information than other users because they represent the public interest. Thus, the conceptual framework for financial reporting is geared toward the decision making needs of investors and creditors as the providers of financing while the needs of other users are of secondary concern.

19. **Why is it important for a CPA to promote professional services in an ethical manner? Do you believe it would be ethical for a CPA to advertise professional services using testimonials and endorsements? Why or why not?**

Professionalism and work ethic are important qualities of accounting professionals. Professionalism is generally defined as the strict adherence to courtesy, honesty, and responsibility when dealing with individuals or other companies in business and clients in public accounting. For CPAs, this means to act in accordance with personal and professional values such as trustworthiness, integrity, transparency, and the pursuit of excellence. A strong work ethic includes completing assignments in a timely manner, diligently, and with the highest quality possible. Ethics and professionalism in accounting also means to always place the public interest ahead of one's self-interests, the interests of an employer, and the client's interests. The public expects accounting and auditing professionals to be selfless in the pursuit of the public good.

Potential clients rely on the ethics and trustworthiness of accounting professionals. Clients make decisions whether to engage with potential accountants and auditors, at least in part, based on their advertising of professional services. Clients must be able to rely on the accuracy on the form and content of such communication including testimonials on behalf of accounting professionals.

In advertising professional services, a CPA must be honest and non-misleading. In using testimonials and endorsements, how does a potential client know if these are honest and non-misleading? Were the testimonials and endorsements paid or exaggerated? Would that affect one’s opinion? What if the testimonials and endorsements are from paid actors, and not actual clients? As a profession that values objectivity and skepticism, objectivity and skepticism should be employed in determining how potential customers will react to advertising.

20. **Do you think it would be ethical for a CPA to have someone else do for her that which she is prohibited from doing by the AICPA Code of Professional Conduct? Why or why not? Do you think a CPA can justify allowing the unethical behavior of a supervisor by claiming, “It’s not my job to police the behavior of others?”**

It would be unethical for a CPA to employ (whether paid or not) someone to perform an act that the CPA is prohibited from doing? It is using a proxy to do something that she knows is wrong. Having someone else do the wrong act does not change the wrongness of the act. The AICPA Code of Professional Conduct clearly holds CPAs to the standard of care that she should not permit others to do for her what she is prohibited from doing under the Code. To do so is an unprofessional act in violation of the Code.

If the CPA knows all the facts and determines that the supervisor is allowing or performing an unethical act, the CPA should try to stop that behavior. It may be impossible to change the behavior, but the CPA should question whether she wants to work for and with a supervisor and company that condones unethical behavior. Knowing that something is wrong obligates the ethical person to do something about. This applies in particular in accounting because of the public interest obligation.

21. **Assume in the DigitPrint case that the venture capitalists do not provide additional financing to the company, even though the accrued expense adjustments have not been made. The company hires an audit firm to conduct an audit of its financial statements to take to a local bank for a loan. The auditors become aware of the unrecorded $1 million in accrued expenses. Liza Doolittle pressures them to delay recording the expenses until after the loan is secured. The auditors do not know whether Henry Higgins is aware of all the facts. Identify the stakeholders in this case. What alternatives are available to the auditors? Use the AICPA Code of Professional Conduct and Josephson’s Six Pillars of Character to evaluate the ethics of the alternative courses of action.**

The stakeholders in the DigitPrint case are the stockholders and employees of the company, the local bank, suppliers and customers of the company. The auditors may try to get Doolittle and Higgins to record the expenses; tell the board of directors of the situation; issue a qualified or adverse opinion if the expenses are not recorded; or they could do as Doolittle is pressuring them to do. Caving into the pressure from Doolittle would be unethical and would violate the AICPA principles of integrity, independence, responsibility, public interest and due care. Using these principles and the Six Pillars of Character, the auditors should meet with the board of directors to try and get support for the recording of the expenses. If that fails, then the auditors should issue a qualified or adverse opinion. This would be in keeping of the AICPA principles. Under the Six Pillars of Character, the auditors would be displaying trustworthiness, responsibility, fairness, and citizenship.

22. **In the discussion of loyalty in this chapter, a statement is made that “your ethical obligation is to report what you have observed to your supervisor and let her take the appropriate action.” We point out that you may want to take your concerns to others. The IMA Statement of Ethical Professional Practice includes a confidentiality standard that requires members to “keep information confidential except when disclosure is authorized or legally required.”**

**23. Do you think there are any circumstances when you should go outside the company to report financial wrongdoing? If so, to what person/organization would you go? Why? If not, why would you not take the information outside the company?**

Questions 22 and 23 were inadvertently separated in production of the book so we answer them together.

Whistle blowing has had a bad name since before Rolf chose his duty to Nazi youth over his affection for the Von Trapp family in the “Sound of Music.” Telling on someone to prevent serious harm to someone else is usually called tattling. Tattling often has the bad reputation due to its mean-spirited motivation. Telling to get someone out of trouble is usually the right thing to do. The difference in the two situations noted turns on motives for action. Whistle-blowing could stop something harmful which is about to happen or will continue happening. It does matter whether whistle-blowing can change the future and it does matter how important those changes are in the lives of those in peril. What matters is if the person tells to right a wrong and protect others; if so, it is an ethical action and warranted.

Whistle-blowing is different for accountants because it violates client trust and break promises the profession has made on behalf of each of its members. Accountants, as professionals, have access to truth and knowledge *because* we as a profession promise that clients can absolutely count on the accountants not to violate that trust by sharing secrets. If the profession did not promise confidentiality and our promise was in doubt, clients might purposefully keep secrets from their accountants because of fear of disclosure.

While there are situations where professional accountants have to go outside their chain of command, the profession’s reputation for reliability is damaged whenever that promise of confidentiality is broken. Whistleblowing for a professional accountant is promise breaking. The best justification for breaking promises is what we call an emergency: time sensitive, future changing, no one else can do it and it has to be done in some situations. It is easier to imagine corporations in its personnel, operations and marketing departments doing dangerous and harmful things that must be stopped in a hurry than in the finance or accounting departments.

There are circumstances in accounting where future harm to people who deserve our protection (i.e., shareholders or the public) is so great that professional duty is superseded by duty to protect the public interest. In some of these circumstances, individual accountants are the only one person who can prevent or reduce that harm by acting. Accountants can’t always trust their supervisors to do the right thing and follow up on what needs to be investigated.

There are times that accountants are expected to report wrongdoing to the authorities as part of their ethical obligation, such as under the Dodd-Frank Financial Reform Act that will be discussed in Chapter 3. This would be the case if every effort has been made using internal means to correct for fraudulent financial statements to no avail. It may also be the case to prevent serious harm to others. Finally, it may be required by state law as well.

24. **Assume that a corporate officer or other executive asks you, as the accountant for the company, to omit or leave out certain financial figures from the balance sheet that may paint the business in a bad light to the public and investors. Because the request does not involve a direct manipulation of numbers or records, would you agree to go along with the request? What ethical considerations exist for you in deciding on a course of action?**

Would the omission of the information be misleading to investors and the public? If so, then the SEC would consider that information material and then should be disclosed. Many may consider the omission of information as a form of a lie. One may mislead by stating a lie or by keeping quiet about some information. Many religions consider one a sin of commission and one a sin of omission; since both are sins, they are both wrong. Omitting information goes to honesty, integrity and trustworthiness under the Six Pillars of Characters. Those values are also important using virtue or deontology reasoning.

What if a client asks you to leave out information about a multi-billion-dollar lawsuit for product tampering because it won’t be resolved for at least years? Would you omit it because its effects are not in the short-term – i.e., within one year? The omission of the information (in the accounts or notes as required) – is misleading to investors and creditors who have a right to know that the company may have a very significant legal liability in two or more years. How will the company meet this obligation? Should it set aside the funds in a reserve account? These are all legitimate questions for users to ask, but they can’t if the information is omitted.

25. **Sir Walter Scott (1771–1832), the Scottish novelist and poet, wrote: “Oh what a tangled web we weave, when first we practice to deceive.” Comment on what you think Scott meant by this phrase.**

Lies often require stories which seem simple, but if examined, may call for further lies. In some cases, merely remembering a lie is more difficult than remembering the truth. Fiction is filled with stories of one lie leading to others. You might collect a list of those famous stories. This question provides an opportunity to remind students of the ethical slippery slope and once a lie is told, the person who tells it begins the slide and it is much more difficult to climb back up and regain the moral high ground. The concept of an 'ethical slippery slope' is one that defines behavior when a decision-maker first decides to deceive others by consciously covering up or lying about past behavior. This begins the slide down the proverbial ethical slippery slope where it becomes more difficult to reverse course because the decision maker is committed to the deceitful action; then since most people don't want others (i.e., superiors) to know about the initial, wrongful action over time cover up or lying slowly become untangled and the truth emerges.

Betty Vinson was a victim of the ethical slippery slope. Once she agreed to go along with financial wrongdoing and enter false data into WorldCom’s accounting system, it became very difficult for her to change direction as future requests were made for her to do the same.

26. **Assume you are interviewing for a position with an accounting firm and the recruiter asks you the following questions. Craft a response that you would feel comfortable giving for each one.**

* **Describe an experience in the workplace when your attitudes and beliefs were ethically challenged? Use a personal example if you have not experienced a workplace dilemma.**
* **What are the most important values that would drive your behavior as a new staff accountant in a CPA firm?**
* **Describe your ethical expectations of the culture in an accounting firm?**
* **What would you do if your position on an accounting issue differs from that of firm management?**

**Selected points:**

* I, as many students and recent grads, have been challenged ethically in being asked by a friend to share homework, tell what was on a test, or covering up who did what on a group project in order to get the best grade. These are conflicts of loyalty to a friend versus having integrity, and a short-term payoff versus long-term habits. I have tried to choose having the long-term habit of integrity and honesty.
* While some compromises are required in a workplace setting, an employee should understand that compromising ethics is not one allowed. As a new employee, I would not go against my ethical values. I would need to make sure that I knew all the facts so that I am judging or acting based on partial information.
* Most Americans tell white lies, often in the rationalization of being tactful. I cannot promise to never lie for you but I prefer to tell the truth as much as possible. For instance, if I answer a call from a client wishing to speak to you, and you tell me to say that you are gone for the day. I would probably tell the client that you unavailable to take the call at present and ask to take a message.
* A corporation may be considered a legal person, but it is collectively made up of individual employees. Many of those individuals may act ethically or unethically in any given situation. As an individual I am responsible to act ethically. An ethical corporation may not be able to guarantee that all of its employees will act ethically all the time, but it is required to have ethical policies and procedures in place so the actions of the corporation are ethical. I expect the CPA firm to have a culture of respect, honesty, integrity, and responsibility and realize it will demand the same of me.
* When differences on ethical issues with a supervisor arise at work, it’s best to consult with a mentor or trusted advisor. It’s always best to voice your values to others first in order to anticipate the reasons and rationalizations of others/superiors who are trying to get you to compromise your values.