Accounting ethics education: Integrating reflective learning and virtue ethics

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Abstract

This paper explains the use of reflective learning techniques to create and deliver a new ethics course. Students apply virtue-based reasoning with reflective thinking to resolve conflicts faced by accounting professionals. Teaching techniques include class discussion, minute papers, reflection journals, role playing, and case analysis. Students express their thoughts orally and in written form, interact with other students, receive feedback during and after assignments, and demonstrate what they have learned. Reflective learning helps to transform existing ideas and understandings to come to a new understanding of a situation. As a tool for ethics education in accounting, reflective learning provides the link that may enhance ethical understanding and enable students to apply virtue and reflective thinking to a variety of situations discussed in accounting courses. For students, reflective learning slows down classroom activity giving them more time to process the material, linking it to prior ideas. Instructors benefit from frequent student feedback and greater involvement in the learning process.

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1. Introduction

Virtue ethics is an agent-based approach to ethics. Unlike action-based approaches, such as utilitarianism and rights theory that focus on rules governing action, an agent-based approach concerns the fundamental character and motivations of the individual...
agent. Rather than centering on the reasons for action, virtue ethics attempts to instill certain character traits that lead to taking the right action.

In its simplest form, reflection can be seen as consciously thinking about and analyzing what one has done (or is doing). Reflection is also agent-based and it enables us to explore our experiences and come to a new understanding. Reflection is often initiated when the individual encounters some difficulty in making a decision and attempts to make sense of it. For example, a surprise may appear in the process of accomplishing a task.

Both reflection and virtue can be of value to professional accountants who face ethical dilemmas when, for example, top management exerts pressure to manipulate financial statement amounts. First, the practitioner thinks about the context for the pressure and what is being requested or demanded. Next, the accountant should consider the rightness or wrongness of the proposed action by drawing upon previous experiences and the ethical standards of the profession. Last, it is the virtues that should enable the accountant to make the right decision. Later on, the professional should look back on the event and reflect on what has been learned.

Virtue ethics emphasizes both ethical thought and ethical motivation. It incorporates reflection in encouraging a person to do the right thing for the right reason. As a tool for ethics education in accounting, reflective learning provides the link that may enhance ethical understanding and enable students to apply virtue and reflective thinking to a variety of situations discussed in accounting courses.

This paper briefly explains the intellectual virtues identified by Aristotle and reflective learning described by Schon (1983, 1987). The goal is to describe how reflective learning is incorporated into assignments in an accounting ethics course that emphasizes virtue-based reasoning in the context of professional responsibilities. This paper reports on the development, implementation, and delivery of a newly designed course that melds virtue ethics with reflective learning.

The paper proceeds as follows. Section 2 briefly explains virtue ethics with an emphasis on intellectual virtue because of its link to reflective learning. Section 3 describes reflective learning and presents a model that directs much of the classroom discussion. The objectives and structure of the accounting ethics class that links reflective learning and virtue are then explained. A description of pedagogical theories follows and feedback and assessment are introduced. Section 4 explains how feedback is provided to students in the ethics class, and considerations related to the assessment of student learning. Section 5 discusses how the teaching techniques are used in the ethics class. Student and personal reflections on the experience follows along with a discussion of the benefits to students. Section 8 provides concluding thoughts about the experience.

2. Virtue ethics

The classical Greek philosophy of virtue identifies the qualities that make a life admirable. A virtue is a state or disposition of a person. If someone is considerate, then she has a character that is routinely and reliably considerate. She doesn’t act by rote behavior; instead, she possesses a disposition that enables her to reflect on choices by showing regard for others’ feelings.

Aristotle’s beliefs as described by Ross in *Nicomachean Ethics* (1925, 1112a15–17) include that deliberation (reason and thought) precedes the choice of an action and
we deliberate about things that are in our power (voluntary) and can be realized in action. Aristotle believed that moral action requires that the decision maker possess the intellectual virtues, including practical wisdom, understanding, and good sense.

Intellectual virtue is cultivated through teaching and with the application to specific experiences. Intellectual virtue can be conveyed through teaching and encouraging the learner to reflect on what she has learned and how it may be applied in other instances. Given her disposition to be considerate, she will think about how the alternative courses of action affect others when there are conflicting interests and then reflect back on her choices to guide future actions.

The accounting profession recognizes the importance of virtue in performing professional responsibilities. For example, the Principles of the AICPA Code of Professional Conduct (2005) identify integrity as the quality of one’s character that enhances public trust. When faced with a conflict between competing interests, such as the client and outside investors, the CPA should maintain integrity and avoid subordinating professional judgment to the client. The public interest is best served when a CPA has integrity, is objective in making decisions, and acts diligently in performing services.

3. Reflective learning

3.1. Understanding the process of reflection

Brookfield (1995) describes reflection as a process of hunting out our assumptions and critically examining them by looking for the assumptions that underlie a practice and then playing devil’s advocate to develop a contrary argument. For example, the accounting profession has been engaged for many years in a critical evaluation of the historical cost model that has been the foundation for financial reporting. Those who advocate a current value model point to the greater relevance of the latter for the users of financial reports.

In his book, How We Think (1933, 17) Dewey defines reflective thought as “active, persistent, and careful consideration of any belief or supposed form of knowledge in the light of the grounds that support it and the further conclusions to which it tends”. Dewey’s work influenced Schon’s description of reflective practice described below.

3.1.1. Reflection-in- and -on action

Schon (1987) suggests that the ability to reflect on one’s actions is a defining characteristic of professional practice. The notions of reflection-in-action and reflection-on-action were central to Schon’s efforts in this area. For Schon (1983), thought is embedded in action and “knowledge-in-action” is the center of professional practice. Farrell (1998, p. 73) describes knowledge-in-action as “analogous to seeing and recognizing a face in the crowd without ‘listing’ and piecing together separate features”.

According to Schon (1983, p. 68), reflection-in-action entails building new understandings to inform our actions in the situation that is unfolding. A practitioner that experiences surprise, puzzlement, or confusion in an uncertain or unique situation reflects on the phenomenon and prior understandings that have been implicit in that person’s behavior. The practitioner then carries out an experiment that serves to generate both a new understanding of the phenomenon and a change in the situation.
3.1.2. **Link to virtue**

A link exists between Schon’s reflection-in- and -on action and Aristotelian virtue. In Aristotle’s account of “intellectual virtue”, he identifies wisdom and understanding as enabling qualities. These qualities make it possible to think about what has occurred from an ethical perspective, deliberate on the reasons for our actions, and come to a better understanding of why we did what we did and how we can qualitatively improve our decision-making in the future.

3.2. **Application in accounting ethics education**

Thorne (2001) points out that “The traditional focus of accounting ethics education research has been on developing an understanding of how to increase the cognitive moral capability of students who will soon enter the accounting profession”. Thorne develops a model patterned after Rest’s that builds on moral reasoning and virtue ethics theory by categorizing Rest’s components into moral development (moral sensitivity and judgment) and virtue. According to Thorne (1998), moral reasoning represents the cognitive acts of recognizing moral issues and thinking them through while virtue ethics emphasizes the need for ethical motivation and intention to carry out ethical action.

The goal of reflective learning in accounting ethics education should be to help students internalize the virtues that underlie accounting practice by developing a mental image of what action is required when faced with an ethical conflict. This “mapping of the mind” takes place by analyzing and synthesizing experiences and applying that learning to new situations before acting. The process should be continuous and lead to self-awareness and ethical decision-making.

3.2.1. **Synthesizing virtue and reflective learning**

The following model integrates virtue ethics and reflective learning to facilitate ethical decision-making. The model guides the application of teaching techniques explained later on, and provides a focus for the development of material in the accounting ethics course that is explained in Section 7 of the paper.

3.2.2. **Knowledge in action**

Knowledge in action is a critical component of reflection-in-action. The latter is sometimes described as “thinking on our feet”. It involves examining our experiences, connecting with our feelings, and attending to our theories in use. In Fig. 1, reflection-in-action is represented by how we evaluate alternative courses of action in light of the virtues that guide our behavior and lead to decision-making.

The action of thinking on our feet links to reflection-on-action by exploring, after the encounter, why we acted as we did, what dynamics occurred in the group interaction, and what questions, images and actions we form that we can draw upon in future practice. This is represented in Fig. 1 by the reflections at the bottom of the model.

Finally, we evaluate our understanding of the situation in light of our reflections and consider whether to change our approach to similar situations in the future, and how we might apply what we have learned to other situations. The loop-back effect shown in Fig. 1 depicts the process.
4. Integrating reflective learning and virtue into an accounting ethics course

This paper describes a senior-level accounting ethics course, *Ethics, Law, Institutions and Accounting* used as an undergraduate elective course in the accounting curriculum and it is open to graduate students. The author has taught the course twice, and is currently preparing to teach it again.

4.1. Topic areas and objectives

The Ethics, Law, Institutions and Accounting course emphasizes three themes within the context of professional responsibilities of accountants: earnings management, corporate governance, and building an ethical organization environment. The link between the learning of these topics is to demonstrate how accounting professionals might use virtue reasoning and reflective thought to develop ethical responses in analyzing facts in course assignments.
Students should be able to do the following at the end of the course:

1. Explain how the ethical values (virtues) of the profession provide a foundation for decision-making in accounting.
2. Demonstrate the skill of reflective thinking by incorporating it into classroom discussions, role-plays, and case analyses.
3. Describe how virtue ethics and reflective learning can be used to enhance the ethical culture of an organization.

4.2. Resource materials

The required texts are:


A reference text on reserve is:


About one-half of the class had not taken auditing or were currently enrolled in that class. Handouts used to ensure that all students had a similar background for the discussions include: (1) the role of auditing and internal control to provide a perspective for the discussions of earnings management and corporate governance; (2) descriptions of virtue ethics and reflective learning developed by the instructor to facilitate coverage of the Principles of the AICPA Code and discussions of the control environment of an organization; and (3) a summary of *SAS No. 99: Consideration of Fraud in a Financial Statement Audit*. In addition, readings were assigned from the *Journal of Accountancy* and the *CPA Journal*.

The course is divided into modules that describe topical areas and raise questions for student thought and discussion. These modules and thought questions are shown in Appendix 1. At the beginning of each two-week period on a module, a thought question is raised to direct the classroom discussions and to encourage reflective thinking and the consideration of virtue.

5. Pedagogy

A variety of techniques are used to facilitate reflective learning including discussion, minute papers, reflection logs, role-playing exercises, and case analysis as discussed briefly below. The applicability of these methods for learning assessment is discussed in Section 6.

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1 These materials are available by contacting the author.
5.1. Discussion tasks

Discussion is used as the basic method for students to demonstrate how they incorporate reflective thinking with virtue-based reasoning to resolve conflict situations. Ngeow and Kong (2003) point out that the purpose of learning through discussion tasks is not to “get it right”, but to produce something meaningful through critical inquiry, debate, and reflection. They identify four tasks that are used to assess student learning in case assignments and role play situations, including directed discussion; inquiry-based discussion; reflective discussion; and exploratory discussion.

5.1.1. Directed discussion

The goal of directed or guided discussion tasks is to give students a chance to gain experience asking and responding to questions and to develop critical thinking skills. Students learn from formulating their own responses to questions, reacting to the comments of others, and through group interaction and expression of views.

5.1.2. Inquiry-based discussion

Inquiry-based discussion builds on directed discussion by challenging students to identify relevant principles and information that help to discover relationships in the case or role play. Inquiry-based discussion can help develop analytical and ethical reasoning skills.

5.1.3. Reflective discussion

According to Ngeow and Kong (2003, p. 44) reflective discussion helps students to “become more cognizant of the learning process and enables them to derive insights from their learning experiences”. Students move from answering questions about their roles and contributions to self-analysis of their participation in discussions.

5.1.4. Exploratory discussion

Exploratory discussion is directed towards assessing whether students can use their critical reasoning skills to arrive at alternative explanations of real-world situations.

5.2. Minute papers

In their handbook on classroom assessment techniques, Cross and Angelo (1988, p. 122) point out that: “No other classroom assessment technique has been used more often or by more college teachers than the one minute paper”. Chizmar and Ostrosky (1998) note that the one-minute paper is designed to obtain regular feedback from students. They use it in economics classes by having students respond to two questions (Chizmar and Ostrosky, 2): (1) What is the most important thing you learned today? and (2) What is the muddiest point still remaining at the conclusion of today’s class? The authors believe that one-minute papers improve student learning by providing detailed feedback on what students are learning and how well they are learning it, providing regular feedback, and encouraging students to be actively engaged in the class process.

Minute papers are graded, detailed comments provided, and the papers are returned to students the next class meeting. If several students make similar comments that I find valid, I try to incorporate change to signal students that I take the process of learning from reflection seriously.
5.3. Reflection logs

Kember et al. (1999, pp. 18–30) note the importance of successful professionals reflecting upon actions “as most tasks they perform involve novel elements to which there are no defined solutions”. Thorpe (2004) links reflective learning to critical thinking skills and points out that each is important to the success of the other. Thorpe uses journals in undergraduate nursing classes and observes that most students readily demonstrate the initial stages of reflection by describing their thoughts, feelings, actions events, situations, or perceptions. Hahmemann (1986) examined journal writing by nursing students and found that critical-thinking ability can improve over time and reflective learning journals provide an effective way to facilitate learning.

The process of evaluating students’ reflection logs is subjective. Nevertheless, developing a set of criteria that can be equally and consistently applied to all students provides a fair basis for assessment.

Moon (2004, p. 99) points out that reflection might provide material for further reflection. This could lead to learning and, perhaps, reflection on the process of learning. Readers interested in further exploring ways to assess the reflective process of a journal are encouraged to access the Center for Teaching and Learning at the University of California at Davis (2002).

Students are instructed to divide their journals into two parts.

1. On the left side they write comments that demonstrate reflective thinking.
2. On the right side they record, later on in the course, observations about their initial comments to reflect back on what they have learned.

The process helps encourage students to be responsible for their own learning. Student observations form the basis to assess learning by comparing the later observations to the initial comments in the journal.

5.4. Role-playing

Chesler and Fox (1966) define role playing as a technique that requires students to step outside of customary roles and relinquish patterns of behavior in exchange for the role and patterns of another person. Role playing enables students to experience another’s feelings, thoughts, and behavior and it facilitates students’ understanding of how their actions as moral agents affect the behavior of others. Bollens and Marshall (1973, p. 88) argue that that a role play “sharpens skills of expression, observation and analysis [and] provides exposure to the complexity of real problems”. They believe role playing may lead to new assessments of different positions.

Role playing adds a dimension to case analysis and discussion that promotes empathy and understanding. Beets (1993) used role playing to discuss ethics issues by having student groups develop a situation involving a specific rule of the AICPA Code. According to Beets (1993, 52): “While cases are typically discussed and analyzed from a detached, third-party point of view, role-plays encourage students to consider the ramifications of actions and decisions from a very personal level”.

Craig and Amernic (1994, p. 31) suggest that role playing may be effective in a conflict resolution setting such as to discuss “disputes between auditors and client management
regarding the choice of appropriate accounting principles”. They point out (1994) that the role-play experience may help students to become more sensitive to other perspectives, force them to respond to business-related ethical dilemmas, and help them to better appreciate their own strengths, limitations, and biases.

Role-playing exercises are not assigned right away in order to provide time for students to first gain confidence from class discussions and interactions with fellow students. In Module 1 (described later), the students have an opportunity to write minute papers and record reflections based on class discussions prior to becoming engaged in a role-play. Students reach a certain understanding and then demonstrate through role-play discussions their competency in reflective thinking, ethical reasoning, and knowledge of the subject matter. The goal is to have them reflect on the experience, re-evaluate their existing understanding, and consider whether to adjust their frame of reference.

I begin by clarifying the objectives of the role play so that students understand what is expected of them and the competency skills that will be assessed. An important part of the learning process is for non-participant students to observe the role plays and make critical comments. After the role play is concluded, the participants have the first opportunity to provide feedback on the experience so their comments are untainted by non-participant observations.

Participants are asked to talk about the following: (1) What it was like to be inside the experience; (2) What went well for them and why; (3) What would they do differently next time; and (4) What have they learned about their own ability to reflect and identify ethical issues. The students are evaluated based on their ability to express themselves clearly and succinctly, critical thinking and ethical reasoning skills, and demonstrated learning of course material.

6. Assessment of learning

6.1. Deep learning

Morton and Saljo (1976) distinguish between “deep learning” that relates previous knowledge and “surface learning” that is marked by memorization and the non-integration of learning. The goal of ethics education in accounting should be to get students to reflect on what they are learning to facilitate deep learning.

The evaluation of learning is an on-going process that is designed to provide frequent feedback to students and facilitate self-assessment. I use an approach to assess reflective learning and monitor student progress that was developed by Marton and Saljo and is based on Bloom, Englehart, Furst, Hill, and Krathwohl’s (1956) cognitive domain of learning that includes six categories: knowledge; comprehension; application; analysis; synthesis; and evaluation.

6.2. Stages of reflective learning

Moon (126–156) explains what to look for in assessing student learning in five stages of reflective learning: noticing; making sense; making meaning; working with meaning; and transformative learning. She describes noticing as being observant; you can not learn something if you do not notice it. This is the knowledge domain of learning. Making sense means to get to know the material as coherent by fitting the facts together but not yet
relating them to other ideas. In making meaning a student starts to relate the new material to other ideas by putting it into context. Making sense and making meaning equate to comprehension and application and they start the reflective process. By working with meaning the student’s overall understanding may begin to change in a manner similar to reflection-on-action (analysis). Finally, in transformative learning, ideas and understanding are synthesized and the student can evaluate the processes that lead to this new learning.

7. Using the techniques in an accounting ethics course

7.1. Getting started

The first lecture on reflective learning begins with a statement or story that is intended to promote reflective thought without any discussion with students of reflection-in-action and reflection-on-action. A good source for this material is Forum, a publication for educators that is a good source for material on different learning styles and methods of instruction. Farrell (1998) provides the following from an article titled: “Reflective Teaching: The Principles and Practices”.

“One day a young girl was watching her mother cooking a roast of beef. Just before the mother put the roast in the pot, she cut a slice off the end. The ever observant daughter asked her mother why she had done that, and the mother responded that her grandmother had always done it. Later that same afternoon, the mother was curious, so she called her mother and asked her the same question. Her mother, the child’s grandmother, said that in her day she had to trim the roasts because they were usually too big for a regular pot.”

After reading the “that’s the way it’s always been done” part of the statement, students are asked to reflect on what has been said and respond to the question: What is wrong with this kind of thinking?” Most of the students recognize that the response is too automatic – that the mother never considered whether slicing off the end was really a good thing to do (or necessary). The students with public accounting experience as interns often comment that it’s like doing the same work on an audit year after year because that’s the way it’s always been done. The lesson ends with a brief statement derived from Farrell (1998): Making decisions without any reflection can lead to cutting the slice off the roast.

7.2. Course modules

The goals of this section are to: (1) illustrate the way material in a module is covered using the teaching techniques; (2) describe methods used to assess learning; and (3) discuss reflections on coverage of the module and teaching techniques.

Two modules serve as examples: (1) Module 1 that sets the tone for the course by incorporating into the discussion of the AICPA Principles of Professional Conduct, a virtue-based reasoning approach to resolve conflict in accounting. Virtues such as integrity and objectivity link to the Principles and can be used by accountants and auditors to make decisions when the interests of stakeholders such as investors and creditors conflict with those of an employer or the client. (2) Module 4 that emphasizes the culture at Enron that enabled fraud to occur.
7.2.1. Module 1 – Virtue and ethics standards for accounting professionals

7.2.1.1. Minute papers. Minute papers are used to have students write brief, one-minute reflections expressing their views about class discussions. I ask students to identify the most important point made in each class (noticing), how it relates to previous sessions (making sense/meaning), and their reactions to student comments during the discussion. Students submit their papers at the end of each class. The technique provides an opportunity for students to indicate points that may have been unclear and it provides instructional feedback and food for reflective thought.

Students benefit from frequent instructional feedback that can support the learning process. For example, one student simply repeated elements of the lecture without critically analyzing what he had learned. I commented on the student’s paper that to just list the principles of the AICPA Code means little unless he ties them to the over-arching public interest principle in the Code. Thereafter, the minute papers submitted by this student better demonstrated reflective thought.

7.2.1.2. Class discussion and reflection logs. Directed and reflective discussion helps to determine whether students can identify and verbalize their thoughts (noticing), organize them to draw some meaning (making sense), react to other students’ comments in class, and evaluate what they have learned from the process (making meaning). The reflective journal exercises start after the first module so students can develop important foundation knowledge to support reflective thought and journal entries.

Originally, I had collected and graded all entries in the journal, but I found it to be an unnecessary and time-consuming process. Now, I collect on an unannounced basis to serve as a check on the process and to provide feedback to students. I also collect the entire journal at mid-term and make critical comments, and then examine whether the comments have influenced subsequent entries in the final journal. This process provides a mechanism for the interim assessment of student learning and it enables students to improve their grade before the conclusion of the course.

Writing about what students learn helps them to become more thoughtful, reflective and analytic. To illustrate how to make a reflection log entry, the following example is provided to students.

7.2.1.3. Example of a reflection entry.

We discussed in class that CPAs should take their concerns about a difference of opinion on an accounting matter to higher-ups in the organization. This means to go to the board of directors or audit committee and gain their support. I [the student] had a difficult time seeing myself in that position. It seems disloyal to go above the head of my superior. The professor said we would discuss the matter further. I know I have to give it more thought.

One student hurt my feelings when he commented I was scared to go to higher-ups. I told him it wasn’t a black and white issue. What I didn’t tell him is that I have two kids at home and can’t afford to lose my job.

I learned about Cynthia Cooper’s role as a whistleblower in the WorldCom fraud. We discussed what may have been the virtues that enabled her to do the right thing. I expressed my admiration for her. I wonder whether a law should be passed to
protect whistleblowers since, as the professor said, if a CPA goes outside the company it’s a violation of confidentiality.

These log examples emphasize to students that reflections should include what they have learned, their thoughts on the experience, and any follow-up work needed. The latter helps to direct them to return to entries later on and record their observations.

7.2.1.4. Role-playing. Role-playing activities support inquiry-based and exploratory discussions that promote reflective thinking by forcing students to think on their feet and draw upon knowledge gained in their previous experiences (making meaning). Role-playing exercises based on mini case scenarios are used throughout the course to evaluate how students apply both ethical reasoning and reflective thought to understand various points of view in a conflict situation (working with meaning).

Questions are asked during the role-play to stimulate reflection. The idea is to have students reflect-in-action in the role-play and afterwards prepare a 1–2 page paper about their reflections-on-action. The papers address why they acted as they did, what were the group dynamics (role-play experience) that may have influenced their actions, and what they might do differently the next time they encounter such a situation (transformative learning).

I implement the role-plays with groups of three students. In a typical exercise, 2–3 groups would do one role-play. The other student groups participate in role-plays at a later time. These groups provide the audience for the role play and they give feedback to the participants. An example of a scripted role-play appears in Appendix 2. A brief discussion of student comments and my reflections follows.

The comments of students in the first role-play group were the most interesting, perhaps because they went first. Each student emphasized the importance of the accounting rule for disclosing material related-party transactions. To induce them to examine the reasons for the rule, I asked three questions: (1) What are the ethical issues in this situation? (2) Who cares whether or not there is adequate disclosure since it will not affect the financial statement numbers? (3) Assume you have to convince the CEO that there should be full disclosure. What would you say?

The first question gets the students to focus on ethical principles and virtue, and not just accounting rules. The second requires them to think critically about the purpose of having full disclosure in the financial statements in meeting the needs of investors and creditors. The last question helps to determine the ability of a student to use critical thinking skills to devise an alternative course of action. For example, one student said she would show the CEO samples of disclosures in the financial statements of companies faced with similar circumstances. She thought that might put the CEO at ease about exactly what information is disclosed.

7.2.2. Module 4 – Enron

One chapter from the book, The Smartest Guys in the Room (McLean & Elkind, 2003), is used as a vehicle to discuss critical thinking skills. An excerpt from that chapter appears as the facts of a case presented in Appendix 3.

7.2.2.1. Case analysis and discussion. Reflective discussion occurs when students are asked to assume the position of a key player in the case, respond to questions with supportive
reasoning, and follow-up the thought process in class discussions. The key element in assessment is whether students demonstrate their knowledge of virtue ethics and whether they can relate the current discussion to past discussions thereby demonstrating reflective learning. Case analysis supports exploratory discussion by helping to refine students’ analytical reasoning skills by evaluating alternative courses of action in real-world situations.

I grade the answers to Question 1 based on two criteria: (1) Are students able to identify the outer focus required in ethical reasoning. (2) Can students link virtue to reflective thinking in answering the question.

Students should be able to recognize that virtue-based reasoning is missing in the analysis by Rick Buy. For example, Buy acted dishonestly when he failed to point out to Skilling that disagreements exist among the senior group. Buy’s reasoning lacks an ethical base because he fails to consider how the decision affects those outside the organization including the possible effects on investors and creditors, if the Mariner investment declines in value.

I look to see whether students can determine that it is possible to think reflectively, but without virtue it can lead to inappropriate decision-making. Buy did reflect on prior experiences but it did not cause him to alter his framework for decision-making. In the end, the dissenters in RAC might feel that their opinions are not valued by Enron and that the interests of investors and creditors have been ignored.

The important part of the answer to Question 2 is to frame the ethical question. One possible response is: “Should I maintain my integrity and take the matter to higher-ups in the organization even though my actions may be perceived by Skilling as being disloyal?”

I always ask students to frame the ethical question because it forces them to focus on the most important issues in a case. Based on student responses, I select one student and ask follow-up questions to test that student’s ability to think (reflectively) on her feet and defend her actions. For example, one student said she would quit rather than deal with a boss who did not respect her opinion. I asked her whether there may be a better approach. She shook her head side to side. I followed with the question: What would you do if you encounter the same situation in the future with a different employer? She thought about it for a moment and stated that she saw the point. I asked what is the point. She realized that by quitting she would learn nothing about how to handle similar conflicts in the future. She agreed with me that her approach stifled reflective thought and learning. I asked her to formulate a different approach to the situation. She said it would be better to commit her thoughts to writing before reacting, then, after reflecting on the alternatives, she would formulate a response and approach Skilling. The student realized that she could quit later on but the effort to develop a supportable position would help her to deal with similar situations in the future.

I then ask for a student volunteer to offer another approach and let the two students debate it for a few minutes. The second student said he would go along with Skilling’s request but make it clear that he would not do it again. The first student thought about our earlier discussion and countered with a question for the second student: What if the Mariner deal is a success and Skilling pressures you to go along with a second request. The second student hesitated to respond so the first student added: Skilling tells you that you were wrong about the Mariner deal and others in the company do not appreciate the lack of support. The discussion continues and if the second student seems perplexed, I ask other students to help out.
8. Reflections on the experience

8.1. Student comments

A brief survey was distributed to students to gather anecdotal information about reflective learning that might be helpful for the next offering of the course. In general, the students enthusiastically support reflective learning in the accounting ethics course. The results of a two question anonymous survey distributed the last day of class indicates that 80% believe they learned how to systematically think about the reasons for making decisions and to apply that learning to future decisions. Also, 70% indicated that they plan to use reflective learning in other experiences including other courses in the curriculum and situations that arise in the workplace. An encouraging result is that student evaluations of the course rated the instructor 4.7 out of 5.0 on the question: “Does the faculty member use innovative teaching techniques?”

Seven students had not taken auditing prior to the accounting ethics course. At the conclusion of the course, the seven students were contacted and asked whether they would use reflective learning skills in the auditing class the next term. All seven said they would and contact was made after auditing to confirm with the instructor that they had used the skills.

Comments of three students (out of 24) who did not seem to support reflective learning include: the process was “too mentally taxing” for an accounting class and [the] “group discussions were often dominated by one student”. I do not find these to be troublesome comments. The former is consistent with the rigor of reflective learning and need for many written assignments and the latter comment, while a potential problem if taken to an extreme, can be a valuable experience in that students learn how to effectively interact in a group setting when one person dominates the discussion. These issues were dealt with in subsequent offerings of the course by: (1) explaining to students the need for rigor in the course; (2) providing, early on in the course, two out-of-class optional review sessions for students that have trouble thinking and writing about reflective learning; and (3) scheduling mandatory meetings with groups during the term to discuss any group interaction concerns.

8.2. Personal observations

One unexpected benefit of the student comments has been to develop the out-of-class review sessions to facilitate understanding and writing about reflective learning. Bean (1996) points out group conferences can be more productive than individual meetings to generate ideas to write more effectively. He states that (234): “The back-and-forth dynamics of a group conference, in which participants collaborate to help one another, make them especially useful at the early stages of writing”. In the past, not enough time was set aside to reflect on the teaching and learning experience. Now, several questions are used to evaluate each class discussion and lecture.

How did the lesson go? What happened to cause it to go that way?
Reflecting back on the lecture, what future changes should be made?
Were the goals of the lecture realized? Why or why not?
Were the student discussions productive? Why or why not?
Reflecting back on the discussions, what future changes should be made?
An example of the benefits of personal assessment relate to the out-of-class sessions introduced based on student feedback. Another is to seat students in groups to make the discussions more productive by having them first debate among themselves how to handle hypothetical situations raised during class. Perhaps the insights that some students in a group typically have will help others to better understand reflective learning.

8.3. Assessment of methods

After two cycles of teaching the accounting ethics course I have concluded that all of the methods described in this paper have value as vehicles for students to demonstrate reflective thinking. Minute papers and reflection logs facilitate noticing and making sense and meaning of thoughts and ideas. Discussion and role playing techniques provide a basis to determine whether students can work with meaning by integrating reflective thinking with virtue-based reasoning to transform learning.

While all the methods are useful, I prefer role playing because I can use a scripted role-play, such as the one described in this paper, provide some facts beforehand and reveal others during the role-play, and observe the beginning stages of transformation of the learning process. Moreover, during the discussions I can alter the facts and observe how students think on their feet. The essence of reflective learning is to make sense of unclear situations by drawing on a framework to better comprehend it, and then coming to a new understanding.

8.4. Benefits to students learning

Reflective learning slows down classroom activity giving the students more time to process the material, linking it to prior ideas. In comparison to other modes of instruction I have used in the accounting ethics course in the past such as one-dimensional lecturing, reflective learning enables students to internalize ideas, a process that supports virtue ethics, hold on to them for a longer period of time and apply these ideas to new situations.

8.5. Benefits to students learning

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The approach described in this paper emphasizes two orientations – instructor–student and student–student. The use of minute papers and journals forces students to think about what they have learned based on the lecture and discussions in class with the instructor. These reflections occur on a daily basis and support continuous learning when compared
with more traditional approaches whereby student follow-up typically waits until the next class meeting by which time many have forgotten what they have learned. Class discussions based on role plays and case analysis enable students to demonstrate learning in a visible way by reflecting on the facts and interacting with other students in the discussions and in student to student debates on the issues. The periodic out-of-class review sessions support student learning by allowing them to bring up questions in a supportive group setting that they might be reluctant to discuss in class.

9. Concluding thoughts

The course described in this paper provides a specific case of the application of virtue ethics and reflective learning. This paper explains how virtues such as honesty and integrity that are essential to accounting professionals in meeting their ethical obligations can be connected to a reflective thought process, using discussion techniques supported by role-plays and cases, to teach ethics to accounting students. Reflective learning enables students to evaluate the meaning of new ideas and situations based on prior understandings and it helps to transform their thinking. When linked to virtue-based reasoning, these techniques support the ethical analysis of conflict situations encountered by accounting professionals.

The techniques described in this paper to teach students reflective learning are designed to facilitate a continuous process of evaluation and change. While reflective learning techniques can be applied in a number of settings, the focus here has been on its use to create and deliver a new ethics course.

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Appendix 1. Course modules

A.1. Module 1: Ethical principles in public accounting

In 1988 the American Institute of CPAs restructured its Code of Professional Conduct (AICPA, 1997) to incorporate “goal-oriented, positively stated principles that provide the framework for the profession’s technical standards and ethics rules and that prescribe the ethical responsibilities members should strive to achieve”. The Principles describe the ethical values of the profession and they are similar to the virtues. The values include: the responsibilities of CPAs in society; the need to serve the public interest; the importance of integrity in accounting; what it means to be objective and independent; the essence of due care in performing professional services; and how the Principles underlie the scope of professional services.

Thought question: You are to consider each of the Principles individually and as a whole and reflect on what may have motivated the accounting profession to develop a set of unenforceable, aspirational Principles of professional conduct.
A.2. Module 2: The control environment as an element of internal control

In 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) created a model of internal control. COSO divides internal control into five interrelated components and defines the system as “a process, effected by the entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the objectives” in three categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

According to COSO, the first component of internal control, the control environment, “sets the tone of a company and is the foundation for all other elements of internal control: discipline, structure, integrity, ethical values, employee competence, management’s philosophy and operating style, and the leadership provided by senior management and the board of directors”. The COSO framework forms the basis for the recommended internal control structure in the document Enterprise Risk Management that many public companies use to meet the internal control requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Thought question. Accounting professionals such as controllers and internal auditors play an important role in ensuring that the control environment of an organization provides the foundation for strong and effective internal controls. You should reflect on how the virtues help to establish a proper tone that encourages ethical behavior in the organization.

A.3. Module 3: Fraud risk factors

In October 2002 the AICPA issued Statement on Auditing Standards (SAS) No. 99, Consideration of Fraud in a Financial Statement Audit, expanding the requirement to detect fraud in the financial statements. SAS 99 identifies three conditions that are present when fraud occurs including incentive or pressure, opportunity, and rationalization or attitude.

Thought question. You should reflect on the three conditions that make up the “fraud triangle” and be ready to discuss how the ethical standards of the accounting profession and control environment should help to prevent the three sides of the triangle from connecting.

A.4. Module 4: Regulating the ethics of an organization’s environment

Following instances of financial statement fraud at Enron and WorldCom, President Bush signed into law the Sarbanes-Oxley Act in 2002. The Act contains provisions designed to restore the public’s faith in the financial statements of public companies and the audit of those statements by enhancing auditor independence to prevent conflicts of interest. In one sense the Act attempts to regulate the ethics of an organization.

Thought question. Enron is an organization that created a culture of deceit. Based on class discussions in modules 3 and 4, your viewing of the video, The Smartest Guys in the Room, and excerpted material from the book by the same name, reflect on how the ethics of top managers in Enron and its control environment seems to have enabled corporate wrongdoing.
A.5. Module 5: Enhancing corporate governance systems

The Sarbanes-Oxley Act contains provisions to strengthen corporate governance systems in public companies by enhancing the role and responsibilities of the audit committee of the board of directors, requiring all members of the committee to be independent of management, and obligating the external auditors to identify and discuss with the audit committee differences with management over the application of accounting principles. The motivation for reform comes from instances of earnings management in companies such as Enron and WorldCom.

Thought question. Carefully consider how earnings management occurs and reflect on the role of corporate governance systems in creating and maintaining an ethical organization environment.

Appendix 2. Role-playing exercise

It’s 3:00 p.m. on Friday afternoon and the supervising accountant in-charge of the audit informs you that he will begin a new assignment on Monday. You are told to wrap things up by five o’clock and report to the office on Monday morning for your next assignment. One of the last things you do is to open an envelope from a lawyer that contains a letter informing you of the pending bankruptcy of a major customer who owes the client $200,000. The letter is vague on details so you ask your supervisor what you should do. The supervisor looks at her watch and states: “Forget about it. The books are closed. The audit is complete. I’m leaving for the weekend”.

B.1. Questions

(1) Would you forget about it? Why or why not?
(2) Assume your supervisor left the decision up to you. What information would you seek out to determine whether to take further action?
(3) Assume you decided to act on the information. What would be your next step?

Follow-up (role playing exercise)

(4) Assume instead that your supervisor contacts the partner in charge of the audit and a meeting is called for 5:00 p.m. in the office. Here’s how it goes…

Supervisor: “Charlie here received a letter from the outside attorney stating that XYZ Vending filed for bankruptcy two days ago.”

Partner: “You know that XYZ is owned by the brother-in-law of our client’s CEO.”

Supervisor: “I didn’t know that.” Charlie, did you discover that in your test of related-party transactions?

Charlie: “No, I didn’t.”

Supervisor: “I just met with the CEO and pointedly asked her whether there was anything else we should know before completing the audit. She even signed off on the representation letter.”

Partner: Is it possible she didn’t know about it?”
Silence follows.
Partner: “Well, the board of directors won’t like it.”
Appendix 3. Excerpt from *The smartest guys in the room* Chapter 9: The Klieg-Light syndrome (pages 114–131)

C.1. Background for the excerpt: Status of the case against Enron

The trial of Ken Lay, the former CEO and chair of the board of directors of Enron, and Jeff Skilling, the former CEO, started on January 30, 2006. On December 28, 2005, a plea agreement was reached with former Enron chief accounting officer Richard Causey.

The following excerpt describes the risk control environment in Enron during the three years prior to October 2001, when the company announced a $1.2 billion charge against equity to restate its past earnings. The case scenario below provides a glimpse into the culture at Enron that enabled the fraud to take place.

C.2. Risk management

“We move fast around here; things cook”, stated Rick Buy, the top risk officer.

“That’s great”, replied the Enron deal maker. We need to jump on this Mariner Energy deal. At $185 million, the buyout is a bargain.

“OK. I’ll take it to our Risk Assessment and Control (RAC) senior management group later today. They’ll start the number crunching process and assess the risk. I should get back to you in a few days after we’ve spoken to Skilling.”

“Later that day Buy met with the members of the group. Here’s the deal.” Buy said.

“Mariner Energy is a privately owned Houston oil and gas company that does deepwater exploration. The cost is $185 million.

The next day the group met and discussed the deal. One member questioned the cost of the buyout. “It’s way too high. The company has a low credit rating and may be close to filing for bankruptcy”.

“That’s too pessimistic.” Buy responded. I called a few people in the know and was told Mariner is about to announce a major oil find.

“We’ve got to go on the concrete numbers and not expectations of something that may happen”, said the dissenter.

“I’ll tell you what.” Buy said. “I’ll pass along a draft of our recommendation to the deal maker that includes your concerns.”

This was part of Enron’s risk review process. The deal makers received a draft and had the right to edit it. In this case, the dissenter’s comments were stricken and the deal went to Skilling with a “buy” recommendation.

“Jeff, here’s the paperwork on Mariner. As usual, there’s a description of the transaction, and analysis of risks and possible returns.”

“OK, Rick. Any disagreements among the senior group?”

Buy didn’t expect the question. Typically, Skilling just accepted the document. Buy wasn’t sure whether to tell Skilling about the dissent. But, in the end he figured it would make no difference. Last time a disagreement existed among the group, Buy told Skilling about it and recommended that senior management of the company should make the decision. Senior management ignored the group’s warnings and went ahead anyway. Buy knew the culture was to make the deal no matter what. “No, dissent.” Buy said to Skilling.

“Great”, responded Skilling. “I always respect the integrity of RAC.”
C.3. Meeting the numbers

As luck would have it, the next day Skilling had a conference call with financial analysts about the company’s quarterly earnings and future projections. Here’s how some of the discussion went.

“The numbers look great guys.” Skilling said.

“What earnings do you need to keep our stock price up?” Skilling answered.

The rest of the conversation went about the same. In the end, Skilling arrived at a number regardless of whether internally it made any sense.

Six months later the company was closing its books for the year when Skilling found out that Enron needed about $200 million extra earnings to meet its goal. Skilling told Rick Causey: “We need an extra $200 million!”

Causey turned to an old favorite – mark-to-market accounting. The company had already used it in the accounting for natural gas futures contracts, its electric power contracts, and off-balance-sheet partnerships. It was a natural extension to apply it to Mariner Energy, a private-equity investment. So, the investment was written up by $200 million and Skilling and Lay went off to celebrate with Andy Fastow, the former CFO who had masterminded many of Enron’s venture-capital deals and its off-balance-sheet entities.

C.4. Questions

1. Comment on the type of reflective learning illustrated by Rick Buy and the virtues that seem to drive decision-making at Enron. Be sure to give examples to support your answer.

2. Assume you are in Rick Buy’s position and in the past the concerns raised by RAC were seriously considered by Enron and several deals were not completed as a result. Also assume that you told Skilling about RAC’s concerns with the Mariner deal and he said to forget about RAC’s concerns and just make the deal happen? Frame the ethical question in light of the facts of the case. What would you do? Why?

References


