

**Accounting Ethics (ACC 271)
Graduate School of Management
University of California at Davis
Michael Ueltzen, CPA/CFF, CFE**

Email: Michael.Ueltzen@EisnerAmper.com

Phone: 916-563-7790

Office Hours: Available on request

Overview

You are incredibly fortunate to be a part of the UCD Graduate School of Management. I envy you! The school attracts some of the best and brightest professors and students. The bad news, however, is that the school and I have high expectations of you and your educational process. I will state the obvious which is that this is not an undergraduate program, it is a graduate program. When you look around your fellow students, you will not see 150 of you in a lecture class. It will be impossible to hide in any one of the MPAC classes; they are just too small. You are expected to come into class prepared.

Course Background

I am not an academic. I have not authored any published academic paper. I am not even a trained educator. I have been practicing as CPA for over 40 years and I am a forensic accountant who has been working with CPA firms for over 30 years as they deal with tough, ethical issues. What I bring to your classroom is a variety of real life experiences. You will do a **lot** of reading and you will be expected to participate in a weekly team exercise, make weekly presentations, take a bunch of quizzes (unannounced for the most part) and write a comprehensive paper.

The really good news is that you will not have to listen only to me – we will have a number of guest lecturers including attorneys who have defended CPA firms, white collar defense lawyers, at least one and probably more FBI agents (some of whom are CPAs) who have prosecuted white collar crimes, a lawyer who became a cooperating witness in a Ponzi scheme prosecution and was wired for several weeks by the FBI, and CPAs who have performed fraud examinations. Why all of the speakers? First, and most important, we will begin to develop an understanding why good people do unethical things and you will develop that understanding by listening and dialoging with those that have seen the “dark side”. Second, even I get tired of listening to myself. Third, it makes the class more interesting!

I am practicing forensic accountant and I have set aside the dates and times for each of these classes. I should alert you, however, I sometimes find my entire calendar changed due to a court proceeding. I normally have enough advance time so that we can make some alternative

arrangements – another lecturer or an alternate date. Sorry, you will not get a pass simply because I cannot be at the class. You do not get a similar “pass” by missing a class, but, then again, I get to write the rules for this class.

The Journey Begins!

This is a state mandated class for those of you whom elect to pursue the CPA certificate. For all of the others, I promise you will be faced with similar ethical dilemmas. My goal is to provide you the ability to recognize the ethical dilemma (they are not always so self-evident and creep up on you), understand the tools you can use, and to appreciate your own biases when confronted with those sometimes really ugly decisions. You will spend time with those fuzzy things in accounting – conflicts of interest, professional judgment, professional skepticism, and due professional care, among others. This is not a class that is based upon debits and credits; this is a class that will make you aware of mistakes that good, solid professionals have made and those instances where professionals have made the hard decisions to do the right thing. This class is based upon the ambiguities you will face in your work and, for that matter, in your day-to-day life.

We will spend time at the beginning of the class on the ethical rules of the profession and, yes, they are boring, but they serve as the foundation for your professional career and are a significant part of the CPA exam. We will then get to the examination of cases where professionals have knowingly and unknowingly encountered ethical issues and what the implications have been to others and their careers.

Materials (Textbooks are available at the UC Davis bookstore or at online locations)

1. Textbook: Business Ethics – People, Profits, and the Planet by Kevin Gibson.
2. Book: The Confidence Game by Maria Konnikova.
3. YouTube presentation is available online, The (Honest) Truth about Dishonesty by Dan Ariely.
4. Various other papers and readings that will be available through the UCD web. Warning – there will be a lot of them!

Course Notes

I will provide you a copy of the Power Point slides I present in class at the conclusion of each class. If you are like me, I will scan a Power Point presentation if it is given to me in advance and then tune out of the presentation. Painful as it may seem, I want you to focus on the presentation and what is happening in the class. Although I have been trained as a lawyer, I

have always been intrigued with the demands of a law class and the use of the Socratic method – there is no place to hide during a good class.

Relationship of Text Materials, Readings, and Lecture Notes

As is suitable for a Master's level class, you are responsible for learning the assigned material in the book chapters prior to coming to class. I will cover some, but certainly not all of the material in the books and materials. I am your guide, not your source of knowledge. You do the work, I simply lead you through the journey.

Grading

- | | |
|---|-----|
| • 6 quizzes (take 8, drop 2) | 25% |
| • 4 case write-ups | 25% |
| • 1 book write-up | 25% |
| • 1 Joint Paper with the Communications Class | 25% |

There are no provisions for extra credit in the class.

Course Schedule – subject to change!

Week 1

1. Overview of the Class Discussion
 - Overview of the Class and the Journey
 - The Market System
 - History of Accounting
 - Overview of ethics and ethical issues
 - General Overview of the Larger Case Studies
 - Tons of Fun
 - Petters
 - Wannakuwatte
 - City of Dixon
 - City of Bell
 - Home Solutions
 - Wells Fargo
 - Sundquist

2. Reading Assignment – Business Ethics Text

- Business and the World pp. 467-491
 - Ethics without the Sermon pp. 137-145
3. Guest Lecturer – None planned

Week 2

1. Overview of the Class Discussion
 - Forces Shaping the Current Discussion of Ethics in the Accounting Curriculum
 - An introduction to the Structure of the Professional Standards
 - AICPA Code of Professional Conduct
 - AICPA Professional Standards
 - Audit
 - Tax
 - Consulting Services
 - Other Services
 - Applications of Professional Standards
 - Public Accounting
 - Private Industry
 - Circular 230
 - Introduction to the Wannakuwatte case study
 - Introduction to the Petters case study
2. Reading Assignment (materials to be provided)
 - AICPA Code of Professional Conduct – selected sections
 - IRS Circular 230 – selected sections
3. Guest Lecturer – Duncan Will

Week 3

1. Overview of the Class Discussion
 - A Lesson in Professional Judgment – Case Study
 - Collectability of Accounts Receivable
 - Inventory Valuation
 - Channel Stuffing
 - Use of estimates
 - Accrual for Contingencies
 - A short lesson on debits and credits
 - Discussion of the Wannakuwatte case study (cont.)

- Discussion of the Petters case study (cont.)
- 2. Reading Assignment (materials to be provided)

- Inventory
- Revenue Recognition
- Accounts Receivable
- Intangibles
- Contingent Liabilities
- Tons of Fun Case Study
- Wannakuwatte case materials

Week 4

1. Overview of the Class Discussion
 - Behavioral Factors
 - Cognitive Dissonance
 - The Operating Environment
 - The Abilene Paradox
 - Columbia Disaster
 - City of Dixon Case Study
 - Petters Case Study
2. Reading Assignment (materials to be provided)
 - Business Ethics Text
 - Leadership, Values and the Force of the Institution pp. 146-184
 - Linking Group Think with Unethical Behavior
 - Leadership, Values and the Force of the Institution pp. 146-202
 - Seven Habits of Human Rights pp. 97-99
 - The Social Responsibility of Business is to Increase Its Profits pp. 206-235
 - City of Dixon case materials
 - Columbia Shuttle Disaster materials
 - Business Ethics Text – NASA and the Challenger p. 651
 - Business Ethics Text – NASA and the Columbia p. 653
 - Abilene Paradox materials
 - Additional Wannakuwatte case materials
 - Petters case materials
3. Guest Lecturer - Pending

Week 5

1. Overview of the Class Discussion

- Professional Judgment and Skepticism
- An introduction to the “fuzzy stuff”
 - Independence
 - Integrity and Objectivity
 - Conflicts of Interest
 - Professional Judgment
 - Due Professional Care
 - Professional Skepticism
 - Reasonable Assurance
 - Persuasive v. Convincing Evidence and other forms of evidence
- Discussion about the Confidence Game
- Health South case discussion
- Johnson and Johnson case discussion

2. Reading Assignment

- CAQ Publication - Professional Judgment
- PCAOB – Maintaining and Applying Professional Skepticism in Audits
- Focus On Professional Skepticism
- PCAOB Staff Alert – Professional Skepticism
- Confidence Game by Maria Konnikova – selected sections
- Business Ethics Text – Health South p. 634
- Business Ethics Text – Johnson and Johnson p. 640

3. Guest Lecturer – Attorney Don Heller

Week 6

1. Overview of the Class Discussion

- Fraud Triangle
- Dark Triad
- Honest Truth about Dishonesty
- WorldCom case discussion
- Enron case discussion

2. Reading Assignment

- Honest Truth About Dishonesty – YouTube video
- Business Ethics Text – WorldCom p. 660

Accounting Ethics (ACC 271)
Graduate School of Management
University of California at Davis
Michael Ueltzen, CPA/CFF, CFE

- Business Ethics Text – Enron p. 624
- 3. Guest Lecturer – Former FBI Agent Don Vilfer

Week 7

1. Overview of the Class Discussion
 - Corruption
 - City of Bell case discussion
 - Wells Fargo case Discussion
2. Reading Assignment
 - City of Bell case materials (to be provided)
 - Wells Fargo case materials (to be provided)
3. Guest Lecturer – Attorney Ian Craig

Week 8

1. Overview of the Class Discussion
 - EY Case Discussion
 - Home Solutions Case Discussion
2. Reading Assignment
 - EY Cases (to be provided)
 - Home Solutions Case (to be provided)
3. Guest Lecturers – Former Federal Agents Steve Delaney and Paul Artley

Week 9

1. Overview of the Class Discussion
 - Petters Case Discussion
 - Everett Case Discussion
 - When Good People Do Bad Things
2. Reading Assignment
 - Petters Case materials (to be provided)
 - Everett Case materials (to be provided)
 - When Good People do Bad Things (to be provided)
3. Guest Lecturers – Judge David Abbot and Jolene Fraser, CPA

Week 10

1. Overview of the Class Discussion

Accounting Ethics (ACC 271)
Graduate School of Management
University of California at Davis
Michael Ueltzen, CPA/CFF, CFE

- Confidence Game
 - Sundquist Case Discussion
2. Reading Assignment
 - Confidence Game – selected portions
 - Sundquist Case Materials (to be provided)
 3. Guest Lecturer – Judge Christopher Klein