Book Review


Accounting ethics is an important part of the capabilities of a professional accountant. As early as 1990, the Accounting Education Change Commission of the AICPA emphasized that a professional accountant should not only have the relevant skills and knowledge, but also the ability to make value-based judgments. The accounting scandals of the early 2000s and the experiences from the recent financial crisis further increased the attention devoted to business ethics in general and to accounting ethics in particular. In line with these developments, there is a growing consensus that accounting education curricula of universities should include courses on accounting ethics.

Stuart, Stuart, and Pedersen take on the perspective that professional accountants require both technical proficiency and ethical sensibility. The authors combine a unique set of expertise, with two of them being professors of accounting and auditing and one being a philosopher. Further, the authors can draw from a long experience in teaching accounting ethics.

The goal of the text is to serve as a resource for undergraduate or graduate courses in accounting ethics. Students shall get prepared for the issues that they are likely to encounter in their future practice of accounting. The authors aim at making students not only ethically sensible, but also to foster the students’ moral commitment.

The text follows the structure of a decision model for accounting ethics developed by the authors. In the first part of the book, the authors introduce the technical and ethical responsibilities of accountants (chapter 1), before developing their ideas on ethical decision-making, resulting in the decision model (chapter 2). The second part discusses elements of the different steps of the decision model: According to the model, the accountant should identify and formulate the accounting and the ethical problem (chapter 3), consult resources relevant for solving the problem (chapters 4–6), be aware of the interests and motivations of the parties affected by the accounting decision (chapter 7), and generate decision alternatives before selecting the best alternative (chapter 8). The last part of the book discusses the role of accounting in society separately with respect to auditors (chapter 9) and accountants (chapter 10).

The text has several features that make it a valuable resource for a university course. These features include clearly-stated learning targets, study questions precisely linked to these learning targets, and text boxes defining important concepts. The accompanying website provides helpful solutions to the study questions and also slides for each chapter.

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Some chapters have summaries with key takeaways, a feature that I find useful and that could be extended to all chapters. One remarkable characteristic of the text is that the authors regularly include classroom experiences and discussions to further illustrate the topics, resulting in a very engaging writing style.

One main challenge for a book on accounting ethics is to link ethical reasoning with problem-solving in accounting. In my opinion, the authors do an excellent job in making ethical concepts accessible to accounting students. They explain the different ethical perspectives (utilitarianism, deontology, and virtue ethics) in understandable terms so that students without a prior background in philosophy can follow the discussion easily. Further, the authors make good use of their decision model to emphasize, early on and continuously throughout the book, the connections between the underlying accounting and ethical problems.

Another main challenge for a book on accounting ethics concerns the level of detail to use in discussing accounting standards. The authors assume in the beginning of the first chapter that the students have taken several accounting courses before taking the accounting ethics class (p. 3). I find this a very suitable assumption that makes it possible to focus the text on introducing ethical concepts and linking them to the underlying accounting issues. However, the authors deviate partly from their assumption that the target audience already has a sound prior background in accounting when they discuss at some length very basic concepts of accounting (chapter 4). Alternatively, the authors could have focused more on higher-level questions of accounting, e.g., the room for professional judgment in interpreting the accounting standards or filling gaps.

A similar challenge about how to cope with the detailed ethical standards relevant for accountants emerges in the chapters on professional ethics (chapter 6) and auditing ethics (chapter 9). In both chapters, the authors aim to provide a short but comprehensive overview of the codes of ethics issued by the IEASB and the AICPA. One might wonder whether moving the standards to an appendix and discussing only selected issues might provide for a more stimulating discussion.

The authors characterize ethical decision-making as a “moral effort to carry out or realize an intention to act virtuously” (p. 139). They see their decision model as a tool for becoming ethically sensible, but they also consider the need for students to develop a moral commitment to actually act ethically. While there is definitely a value in teaching tools for assessing the ethical dimensions of an accounting decision, one might differ on whether enhancing the level of moral commitment can be or should be a goal of an accounting ethics class. An alternative approach could be to focus more on the mechanisms for ensuring ethical decision-making, e.g., internal control or other corporate governance mechanisms.

Overall, I can recommend the text as a valuable resource for an undergraduate or a graduate accounting class. The decision model suggested by the authors proves to be very useful for integrating ethical reasoning into the process of solving accounting problems. Moreover, students will appreciate the accessible and engaging writing style. From a practical point of view, the number and the length of the chapters are suitable for designing a full course of accounting ethics based on the text.

An instructor considering setting up a course on accounting ethics based on this text could complement it with other sources. First, the collection of cases in Stuart and Stuart
(2003) can be easily integrated, as that book is structured along a previous version of the current decision model. Second, the textbook of Duska, Duska, and Ragatz (2011) could be used to complement topics on the AICPA professional code of conduct and special topics on ethics in tax accounting, managerial accounting, and ethics applied to the accounting firm. Third, one could also consider a new textbook announced to be published later in 2015 by Klein & Kumar (2015).

References


Christopher Koch

*Johannes Gutenberg University Mainz, Mainz, Germany*

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