



Ethical Obligations and Decision-Making in Accounting: Text and Cases, 5th edition

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New in the 5th edition:

In response to feedback and guidance from numerous accounting ethics faculty, the authors have made many important changes to the fifth edition of Ethical Obligations and Decision Making in Accounting: Text and Cases, including the following:

Connect® is available with assignable cases, test bank assessment material, and SmartBook. **SmartBook** is an excellent way to ensure that students are reading and understanding the basic concepts in the book and it prepares them to learn from classroom discussions. Several of the **Chapter Cases** are available in an auto-graded format to facilitate grading by instructors. The purpose of using the digital format is to better prepare students ahead of class to free up instructors to discuss a broader range of topics in their lectures and in the give-and-take between teacher and student. **Connect Insight Reports** will also give the instructor a better view into the overall class's understanding of core topics prior to class to appropriately focus lectures and discussion. The **Connect Library** also offers materials to support the efforts of first-time and seasoned instructors of accounting ethics, including a comprehensive Instructor's Manual, Test Bank, Additional Cases, and PowerPoint presentations.

Learning Objectives have been added and linked to specific content material in each chapter.

End-of-Chapter Assignments—Each chapter includes 25 discussion questions (20 in chapter 8) that are designed to review important topics in the text with students and apply their

knowledge to new situations. Ten cases (5 in chapter 8) cover a variety of topics deemed most important in each chapter. We have purposefully kept most of these cases short to provide ample time for discussion in class about the ethical issues and to not get too bogged down with financial analysis. However, we do provide many SEC cases that focus on the numbers and are more comprehensive. We hope the mixture will serve the interests of all instructors.

The major cases have been restructured in the fifth edition to provide a selection of short and long cases, all of which have one thing in common: through the questions at the end of each case students are given the opportunity to tie together important topics discussed in the text and apply their knowledge of ethical reasoning to more complex situations. We have included on the web some of the discussion questions, end-of-chapter cases, and major cases from the third and fourth editions not carried over to the fifth edition to make way for new cases and keep the book fresh and up to date. Instructors may find this material useful for assignment purposes. We have also revised and enhanced additional Instructor's Resource Materials and supplements.

Chapter-by-Chapter Changes:

Chapter 1

- Expanded discussion of Egoism to include Ayn Rand's Rational Egoism, a method of ethical reasoning popular with today's young adults and millennials.
- New coverage of moral turpitude and other "Acts Discreditable to the Profession." Recent studies have indicated violations of this ethics rule by CPAs are on the rise because of DUI and other offenses. Additional concerns in this area may exist over time especially in those states that permit recreational use of cannabis.
- Expanded discussion of the Principles of the AICPA Code of Professional Conduct, the public interest obligation, and regulation in the accounting profession.

Chapter 2

- New discussion of cognitive biases that can influence audit decision-making.
- New discussion of equity, diversity, and inclusion.
- Enhanced discussion of the GVV technique. Chapter 2 discusses the foundation of the approach including examples on applying the methodology. There are twenty cases in the book that apply GVV. These cases are designated as "a GVV case."
- Discussion of Volkswagen "Dieselgate" scandal.

Chapter 3

- Updated results from the Association of Certified Fraud Examiners Global Survey of Fraud.
- New discussion of corporate social responsibility including sexual harassment.
- Expanded discussion of the Sarbanes-Oxley Act and whistleblower protections.
- Expanded discussion of the Dodd-Frank Financial Reform Act and when to report financial wrong-doing to the SEC.
- Implications of the U.S. Supreme Court decision in *Digital Realty Trust, Inc. v. Somers* and how it may influence when would-be-whistleblowers inform the SEC of financial wrongdoing.
- Analyze when whistleblowers can use confidential company documents to expose fraud.
- Examine Equifax Data Breach in the context of corporate governance.

Chapter 4

- Enhanced discussion of professional judgment in accounting.
- Expanded coverage of KPMG Professional Judgment Framework.
- New discussion of problems for auditors who uncritically accept management's representations in an audit.
- Comprehensive discussion of the Revised AICPA Code of Professional Conduct including the threats and safeguards approach to determine when violations exist of independence, integrity and objectivity, and the presence of ethical conflicts.
- New discussion of confidentiality and disclosing fraud.
- Expanded discussion of ethics in tax practice.
- Discussion of recent cases brought against CPA firms for violating the AICPA Code.

Chapter 5

- Expanded discussion of errors, illegal acts, and fraud.
- Expanded discussion of Private Securities Litigation Reform Act and reporting requirements to the SEC; fraud and confidentiality issues explored.
- New Discussion of Professional Skepticism Scale that measures traits conducive to developing a questioning mind and informed judgment.
- Discussion of findings of the Center for Audit Quality of audit deficiencies.
- Expanded discussion of PCAOB audit inspection process and high rate of deficiencies of audit firms.
- New requirements to disclose critical audit matters in the audit report.

Chapter 6

- New cases that explore in depth legal obligations of accountants and auditors.
- New discussion of audit malpractice.
- Expanded section on legal liabilities under Sarbanes-Oxley.
- Expanded discussion on regulatory issues and PCAOB inspections.
- New requirements under SSARS No. 21 for compilations and issuing non-compilation reports.
- Enhanced coverage of auditor liability for internal control over financial reporting.

Chapter 7

- New discussion of earnings guidance and forward-looking-statements.
- New discussion of SEC Regulation G and Item 10(e) of Regulation S-K that define a "non-GAAP financial measure" including Compliance and Disclosure guidelines.
- Expanded discussion of non-GAAP financial measures including EBITDA and other non-GAAP performance measures.
- New examples of GAAP to non-GAAP reconciliations.
- New examples of lack of professional judgment in critical areas of the audit and auditing estimates.
- Expanded discussion of the use of accruals and earnings management.
- New discussion of revenue recognition standard, Revenue from Contracts with Customers
- Detailed examples of financial statement restatements including Hertz Corporation.

Chapter 8

Chapter 8 links back to discussions in Chapters 1 through 7 by incorporating material on "Ethical Leadership." The purpose is to leave students with a positive message of the

importance of being a leader and ethical leadership in building organizational ethics. Leadership in decision-making in accounting, auditing, tax, and advisory services engagements is addressed. If there is one theme that describes what this chapter is about it is: “Businesses don’t fail; leaders do.” The chapter includes the following major topics:

- New discussion of audit quality controls, audit leadership, and audit failures.
- Expanded discussion of professional role and leadership.
- Revisiting moral intensity in the context of ethical leadership.
- Expanded discussion of ethical leadership in the practice of public accounting.
- New case studies on ethical leadership.
- Implications of ethical leadership for whistleblowing activities.
- Ethical leadership and the GVV technique.
- Ethical leadership competence.