

# Table of Contents

<i>Acknowledgments</i>	x
<i>Preface</i>	xii
Introduction	1
1 The Nature of Accounting and the Chief Ethical Difficulty: True Disclosure	9
I The Nature of Accounting	10
II Ethics of Disclosure	14
III The Financial Statement	17
IV Roles an Accountant can Fulfill	20
V Development of Explicit Accounting Standards and Regulations	22
VI The Sarbanes–Oxley Act (SOX)	27
VII Recent Scandals that Provoked More Regulation	29
VIII Conclusions	30
2 Ethical Behavior in Accounting: What Is Ethics?	31
I What Is Ethics?	34
II Ethics: The Intellectual Enterprise	35
III Actions	35
IV Social Practices, Institutions, and Systems	36
V Why Study Ethics?	36
VI Being Ethical: How to Determine What to Do	38
VII Questions to Ask to Justify An Action: The Basis of Ethical Theory	42
VIII Using the Reasons	46
IX Ethical Dilemmas	47
X Some Classic Moral Dilemmas	48

3	Ethical Behavior in Accounting: Ethical Theory	51
	I Egoism	52
	II Utilitarianism	57
	III Kant and Deontology	61
	IV Deontological Ethics	62
	V The First Formula of the Categorical Imperative	64
	VI The Second Formula of the Categorical Imperative	65
	VII Virtue Ethics	66
4	Accounting as a Profession: Characteristics of a Profession	69
5	Accounting Codes of Conduct	77
	I AICPA Professional Code of Conduct	79
	II Code Principles	80
	III Criticisms of the Code of Conduct	92
6	The Rules of the Code of Conduct	93
	I Section 100 – Independence, Integrity, and Objectivity	94
	II Section 200 – General Standards Accounting Principles	99
	III Section 300 – Responsibilities to Clients	102
	IV Section 400 – Responsibilities to Colleagues	103
	V Section 500 – Other Responsibilities and Practices	103
7	The Auditing Function	109
	I The Ethics of Public Accounting	113
	II Trust	115
	III The Auditor’s Responsibility to the Public	116
	IV The Auditor’s Basic Responsibilities	118
	V Independence	122
	VI Independence Risk	127
	VII Professional Skepticism	131
	VIII Reasonable Assurance	133
8	The Ethics of Managerial Accounting	135
	I Reasons Used to Justify Unethical Behaviors	140
	II Blowing the Whistle	144
9	The Ethics of Tax Accounting	151
10	Ethics Applied to the Accounting Firm	167
	I Accounting as a Business	169
	II The Social Responsibility of Business	170

III	Good Ethics is Good Business	175
IV	Ethical Responsibilities of Accounting Firms	177
V	The Accounting Profession in Crisis	177
Afterword: Current Debates on Accounting Issues		185
I	Fair Value and Principles vs. Rules	185
II	Fair Value Accounting	189
III	Arguments For and Against the Fair Value Approach	193
IV	Summary	198
V	Principles vs. Rules	199
VI	Introduction	199
VII	Isn't GAAP Already Principles Based?	200
VIII	An Example: The Continental Vending Case	204
IX	Recent Developments of "Present Fairly"	206
X	A Better Question	207
XI	Argument for a Rules Based Approach	208
XII	What Would a Principles Based Approach Look Like?	
	The True and Fair Override	211
XIII	Argument for a Principles Based Approach	212
XIV	Conclusion	215
<i>Appendix A: Summary of Sarbanes–Oxley Act of 2002</i>		217
<i>Appendix B: The IMA Code of Conduct for Management Accountants</i>		230
<i>Index</i>		233