

Index

3M, 162

Aboody, Prof David, 131, 137

accountability, 86

accountants' roles, 19–21

accounting as a business, 198–200

accounting as a profession, 4–5, 75–82

Accounting and Review Services

Committee (ARSC), 118

accounting firms, 3, 75–82, 197–214

code of conduct principles, 83–100

code of conduct rules, 103–127

code of ethics, 39–40

ethical responsibilities, 206

profession in crisis, 206–212

sanctions, 221–222

SOX, 25–27, 219–230

accounting nature, 10–13

accounting principles, 118–119

accounting standards and regulations,

21–25

actions, 36–37

justification, 43–48

reasons, 36–39, 43–49

acts discreditable, 119–120

advertising, 22, 24, 43, 121

aggressive accounting, 13, 132

Allegheny, 139

alternative business structures, 208, 210

American Accounting Association
(AAA), 24–25

American Institute of Certified Public
Accountants (AICPA), 37

accounting standards, 22–25

code of conduct, 83–85, 140–141

code of conduct principles, 85–96

code of conduct rules, 103–124

code of ethics, 6, 39–40, 72, 76, 78–81

Cohen Report, 108, 137–139

due care, 40, 86, 94–95, 150–151

independence, 140–144

professional skepticism, 148–150

SOX, 26

SSTS, 178–184, 187–190

tax accounting, 178–185

American International Group (AIG), 9

AOL, 159

Aristotle, 72, 91, 198

Arthur Andersen, 1–3, 6, 9, 17, 21,

25–28, 79, 198, 205

accounting profession in crisis,

206, 208

accounting standards, 22, 25

auditing function, 129, 141, 148

- Arthur Andersen (*Continued*)
 code of conduct, 87, 92
 fraud, 33–35
 SOX, 26–27
- Arthur Young and Company,
 133–134, 183
- asset cost, 17
- assets on the balance sheet, 12–13
- asset value, 12, 17
- audit committees, 23–26, 34
 fraud, 34
 SOX, 25–26, 223–225, 228
- Auditing, 1–3, 6, 16, 19, 129–151
 accountants' roles, 19
 accounting standards, 21–25
 basic responsibilities, 137–140
 codes of conduct, 83, 85, 86, 92–95
 ethics of public accounting, 132–134
 fraud, 33–35
 independence, 22–25, 140–144
 independence risk, 144–148
 professional skepticism, 148–150
 prohibited activities, 223–224
 reasonable assurance, 150–151
 responsibility to public, 135–137
 SOX, 25–27, 220, 223–224
 Trust, 134–135
- Auditing Standards Board, 25, 118
- average cost, 18
- Baker, C. Richard and Hayes,
 Rick S., 136
- balance sheet, 11–12
- Bank of America, 50
- Bankruptcy, 2, 33–34, 129–130
- Barr, Andrew, 22
- BDO Seidman, 29, 34
- Beach, John E., 139–140
- Bentham, Jeremy, 65, 67
- best interests of and responsibilities to
 the client, 58–59, 76, 78
 accountants as professionals, 75–81
 auditing function, 132
 code of conduct principles, 83, 85–89,
 94–95
 code of conduct rules, 122
 due care, 94–95
- black box accounting, 92
- BLIPS (tax shelter), 177–178
- boards of directors, 23
 managerial accounting, 159–160
 SOX, 25–27, 225
- Bogle, John C., 132–133, 141, 146–147,
 198, 210–211
- Briloff, Abraham, 185, 206
- Burger, Warren E., 133–134,
 136–138, 140
 tax accounting, 183, 185
- business ethics, 79, 83, 167,
 198–199
- business ethics community, 2
- Byrnes, Nanette, 33–34
- capitalism, 34, 132, 201
 justification, 65
 social responsibility, 201
- Carmichael, Douglas, 162
- Carroll, Archie, 205
- categorical imperative, 68–69, 134
 first formula, 69–70
 second formula, 70–71
- Cendant, 33, 164–166, 197–198
- certified public accountants (CPAs),
 19–21, 23–25
 accounting profession in crisis,
 206–208
 alternative business structure,
 210–212
 auditing function, 135–137
 code of conduct, 86–87, 96
 fraud, 33–34
 qualifications, 75–76, 228
 SOX, 25–27, 219
see also American Institute of
 Certified Public Accountants
 (AICPA)
- changes in cash flow, 11
- changes in financial position, 13
- changes in retained earnings, 13
- charity, 68–69, 203

- chief executive officers (CEOs), 26–27, 159–161
- chief financial officers (CFOs), 26–27, 134
- Cisco Systems, 207, 211
- classic moral dilemmas, 49–50
- codes of conduct
 - AICPA, 84–85, 140–141
 - criticism, 96
 - IMA, 25, 84, 231–233
 - principles, 85–96
 - rules, 103–124
- Cohen Commission Report, 23, 137–139
- Cohn, Gordon, 143
- colleagues, 75–77
 - code of conduct, 85
 - responsibilities, 123–124
 - subordination of judgment, 111–113
- Commission on Standards of Education and Experience for CPAs, 75, 77
- commissions, 120–121
- commitment, 46
- competence, 136, 189, 231
 - code of conduct, 40, 78, 84, 86, 94–95, 117, 160
- conceptual framework, 11, 103–106, 111, 115, 141–142
- confidentiality, 98
 - code of conduct, 84, 89, 103, 109, 112, 122, 231–232
 - duty to report errors, 139–140, 166–167
- conflicts of interest, 22–23, 134, 135
 - code of conduct, 95–96, 108–110, 121
 - consulting, 26–27, 93
 - independence, 143, 147–148
 - integrity and objectivity, 107–110
 - managerial accounting, 160
 - SOX, 26–27, 93, 228
- Congressional Budget Office, 5
- consent, 14–15, 45, 109, 122, 160, 221
- consulting, 2–3, 19, 24, 118, 199–200
 - conflicts of interest, 22–23, 26, 34, 93
 - independence, 23, 94, 141–144, 146, 225
 - objectivity and independence, 23, 79, 109, 113
- contingent fees, 120
- Cooper, Robert, 186–187
- Corporate and Criminal Fraud Accountability Act 2002, 229
- cost of goods sold formulas, 18
- creative accounting, 13, 209
- Crenshaw, Albert B., 10
- current assets, 12
- Dell, 34
- Deloitte and Touche, 29–30, 98, 207
- deontology, 49, 57–58, 64–65, 68–69
 - Kant, 67–68, 70–71
- Department of Justice, 34, 177–178
- depreciation, 12, 18
- Dickens, Charles *Christmas Carol*, 205
- DiLullo, Charles, 162–163
- director bars, 225–226
- disclosure, 10–11, 13–17, 24, 121, 133, 144, 160, 183
 - conflicts of interest, 108
 - duty to report errors, 139–140
 - SOX, 26, 224–232
- dispute resolution, 59, 111
- distribution problem, 64–65
- divorce, 109
- Dodd–Frank, 27–28
- due care, 40, 86, 94–95, 117, 150–151
- duty, 66–71, 135–136, 151, 170, 179
- earnings management, 159, 163, 208, 209
- economic man, 61
- efficient market, 45
- egoism, 57–63, 71
- Enron, 2, 6, 9, 14, 17, 33–34
 - accounting firms, 79, 205
 - accounting profession in crisis, 198, 206–208
 - accounting standards, 21, 27
 - auditing function, 129, 141
 - code of conduct, 80, 87, 92
 - justifications, 162, 164, 199
 - SOX, 26–27, 141, 148
 - tax accounting, 180
 - whistle-blowing, 170

- Ernst and Young, 27, 29–30, 35, 37
- errors, 97, 150, 165
 - New Century, 129
 - responsibility to report, 25, 139–140
 - tax accounting, 179, 181–182, 187–190
- ethical beliefs, 36, 38
 - actions, 36–37, 39–48
 - evaluation, 37–39, 58
 - professional code, 39–40
- ethical dilemmas, 48–50
- ethics defined, 35–36
- eudaemonists, 65
- Everson, Mark, 177
- external accountants, 112–113
- extrinsic good, 65
- Fannie Mae, 157–158
- Fastow, Andrew, 9, 33
- Federal Reserve Board, 147, 219
- Federal Trade Commission (FTC), 22
- fees, 3, 23–24, 92, 103, 120–121, 227–228
- financial accounting *see* managerial accounting
- Financial Accounting Standards Board (FASB), 17, 19, 118, 119, 210
 - justification of formulas used, 19
- Financial Executives International (FEI), 25
- financial market, 4, 11, 28, 132–134, 141, 146–147, 211
- financial planning, 19, 109, 118, 123
- financial statement, 6, 10–13, 16–19, 28
 - basic responsibilities, 137–138
 - professional skepticism, 148–150
 - public accounting, 132–134
 - reasonable assurance, 150–151
 - reporting errors, 139–140
- first in, first out (FIFO), 18
- FLIP (tax shelter), 177
- Forensic and Valuation Services, 118
- form of organization, 122–123
- Frank, Garry, 186–187
- Franklin, Benjamin, 163
- fraud, 9, 23, 200
 - auditing, 33–35, 139, 197
 - GE, 163–164
 - Grace, 164–166
 - Happy's Pizza, 190–192
 - HealthSouth, 9
 - KPMG, 178–179
 - Micro Strategy, 164–166
 - reasonable assurance, 150–151
 - reporting, 139–140
 - SOX, 25–26
 - WorldCom, 27, 229–230
- Friedman, Milton, 77, 200–202
- Friehling and Horowitz, 35
- Friehling, David, 33
- Gateway, 159
- Gellerman, Saul W., 161–166
- General Accounting Standards Board (GASB), 118
- General Electric (GE), 163–194
- generally accepted accounting
 - principles (GAAP), 38, 138, 208–209
 - code of conduct rules, 118–119
 - errors and fraud, 34
 - financial statement, 16–19
 - justifications, 161–166
 - New Century, 129–130
 - SOX, 220, 224, 227
- Goldman Sachs, 130, 147–148, 180
- good ethics as good business, 204–205
- Government Accountability Office (GAO), 114
- Grace, W.R., 165–166
- Grant Thornton, 34–35
- Greed, 199, 202–205
- Gunneman, Jon, 169–170
- HealthSouth, 27
- Hedonists, 65
- Heilig-Meyers Company, 17
- historical cost less depreciation, 18
- Hobbes, Thomas, 60
- Holmes, Oliver Wendell, 184

- Howard, Richard P., 12
- Huebner, Solomon, 76–77, 79, 167
- Hugo, Victor *Les Miserables*, 49, 57
- human activity, 3
- hypothetical imperatives, 68
 first formula, 69–70
 second formula, 70–71
- improper influence, 225
- income statement, 11–13
- independence, 92–94, 114–117,
 140–144, 207
 alternative business structure, 208
 auditing function, 19, 132–133,
 136–138, 140–144, 151
 code of conduct principles, 85–86,
 92–94, 98–95
 code of conduct rules, 103–110, 124
 consulting, 19, 141–143
 managerial accounting, 161
 professional skepticism, 148–150
 risk, 143–148
 SOX, 220
 threats, 142–144
- Independence Standards Board (ISB),
 141–142, 144, 158
- insider trading, 37, 97–98
- Institute of American Accountants
 (IAA), 22
- Institute of Internal Auditors (IIA), 25
- Institute of Management Accountants
 (IMA), 25
 code of conduct, 84, 231–233
 code of ethics, 158–161, 166–167
- integrity, 89–92, 107–114
 auditing function, 132, 133, 135
 code of conduct, 84–86, 90–87–92,
 94–95
 code of conduct rules, 103,
 107–114, 124
 IMA code of conduct, 232
 managerial accounting, 160, 170
- intellectual enterprise of ethics, 36
- intended incentives, 184–185
- internal auditing control, 138–139, 227
- Internal Revenue Service (IRS), 13, 18,
 177–178, 182–183, 185–186, 189,
 191–192
 disclosure, 13
 tax shelters, 34, 177–179, 185
- International Accounting Standard
 Board (IASB), 118
- International Ethics Standard Board for
 Accountants (IESRA), 84
- International Federation of Accountants
 (IFAC), 84
- International Financial Reporting
 Standards (IFRS), 209, 211
- intrinsic good, 65–66
- Johnson and Johnson, 44, 204
- JP Morgan Chase, 50, 130
- justifications for unethical behavior,
 161–166
- Kant, Immanuel, 67–71, 202
 universalizability, 107, 134–135, 181
- Keenan, William, 123
- KPMG, 207, 211
 fraud, 34–36, 79, 177–179
 New Century, 129–132, 137, 138, 143
 tax accounting, 92, 177–179
 tax evasion, 79
- last in, first out (LIFO), 18
- Lay, Kenneth, 170
- Levitt, Arthur, 10, 141, 146
- Levitt, Theodore, 108
- liabilities, 11–12
- Lifson, David A., 184–185
- Livent, 33, 197
- loopholes, 180–181, 183–185, 187
- Lucent, 164
- Lux, Kenneth, 205
- Lybrand, 211
- lying, 13–16, 28, 63, 90–91, 111, 134
- Madoff, Bernard, 33
- Management Consulting Services, 118
- management services, 22–25, 138–139

- managerial accounting, 6, 19, 157–171, 211–212
- manipulation, 15, 19, 21
- market transactions disclosure, 13–14
- Manza, Robert D., 159
- McGinn, Daniel, 162
- McGregor, Douglas *The Human Side of Enterprise*, 205
- Metcalf Committee, 23–24, 201
- Micro Strategy, 164–165
- Mill, John Stuart, 62, 65–68
- misrepresentation, 111, 112, 134
- Missal, Michael, 130

- National Commission on Fraudulent Financial Reporting, 24
- negligence in failing to detect fraud, 34
- net income, 18
- New Century Financial Corporation, 129–132, 137, 138, 143
- New York Stock Exchange, 130
- non-current assets, 12
- non-current liabilities, 12
- Novack, Jane, 207
- numbers game, 10

- objectivity, 92–94, 107–110
 - code of conduct, 84, 86–87, 93–96
 - code of conduct rules, 103, 105–109, 124
 - IMA code of conduct, 232
 - managerial accounting, 159, 160, 170
- Office of Federal Housing Enterprise Oversight, 157
- opinion shopping, 120
- OPIS (tax shelter), 178
- owners' equity, 12, 13
- Oxford Health Plans, 162

- partner rotation, 27, 148, 224
- Peat Marwick, 207, 211
- personal financial planning (PFP), 109, 118
- Pinocchio, 90–91
- Plato, 72, 91, 198

- pluralists, 65
- Powers, Charles, 169
- predicting the future, 66
- Price, T. Rowe, 12
- Pricewaterhouse Coopers, 33, 35, 139, 144, 165, 198, 211
 - Allegheny, 139–140
- Price Waterhouse, India, 37
- Private Companies Practice Section, 24
- pro forma accounting, 13, 119, 209
- problem of illicit means, 66
- professional code of ethics, 39–41
- professional skepticism, 148–151
- professionalism, 4–7, 86–87, 197–198, 200, 208
 - auditing function, 136
 - code of conduct, 83–88, 97–98
 - tax accounting, 186
 - whistle-blowing, 166–170
- prohibition on personal loans, 227
- projections, 9–10
- psychological egoism, 60–62
- public accounting, 132–134
- Public Company Accounting Oversight Board (PCAOB), 2, 16, 96
 - fraud, 9–10
 - independence, 114
 - professional skepticism, 139, 151
 - reasonable assurance, 151
 - SOX, 25–27, 35, 219
 - standards, 117–118
 - tax accounting, 178–179
- public interest, 87–89, 178–179, 202
 - accountants as professionals, 75–79
 - auditing function, 132, 135–137, 140
 - code of conduct, 84–89
- Public Interest Oversight Board (PIOB), 84
- Public Oversight Board (POB), 24, 25

- qualifications, 75–76, 80–81

- Raju, B. Ramalinga, 35
- reasonable assurance, 150–151
- reasons for actions, 36–39, 42–49

- recognition of income, 18
- referral fees, 120–121
- repurchase reserve, 129–130
- rights, 45–46, 70
- Rite Aid, 164
- Ross, W.D., 66–67, 71

- Salinger, J.D. *The Catcher in the Rye*, 60
- sanctions, 221–223
- Sarbanes–Oxley Act 2002 (SOX), 2, 6,
 - 20, 25–28, 179, 219–221
 - accounting firms, 198, 211–212
 - adequacy of GAAP, 208
 - alternative business structure, 210–212
 - enforcement of code of conduct, 96
 - objectivity and independence, 93, 141, 148
 - standards, 21, 35, 118
- Satyam, 35
- Schilit, Howard M., 17, 162
- Schroeder, Michael, 32
- Scrushy, Richard, 27
- Securities Act 1933, 21–22
- Securities Act 1934, 21–22
- Securities Exchange Act 1934, 16
- Securities Exchange Commission (SEC), 16–17, 108, 198
 - Arthur Young, 133, 183
 - conflict of interest, 109
 - enforcement of code of conduct, 96
 - guide for code of ethics, 25–27
 - HealthSouth, 27
 - independence, 114–117, 141–142, 145–148
 - managerial accounting, 157, 158, 163–166
 - New Century, 129–132, 137, 139, 143
 - PricewaterhouseCoopers, 33, 35, 139, 165, 197, 211
 - SOX, 25–27, 198, 211
 - Standards, 20–22, 24–25
- Securities Exchange Commission Practice Section (SECPS), 24
- self-governance, 86–87
- self-interest, 77–78, 143, 186, 205
 - egoism, 57–62
 - managerial accounting, 160–161
 - social responsibilities, 199–201
- selfishness, 59–62, 76–78
- self-regulation, 197
- selling and disclosure, 13–16
- Server, Andy, 163
- Silber, Steven, 139
- Simon, John, 169
- Smith, Adam, 60–62, 77, 200–202
 - Egoism, 59–62
 - The Wealth of Nations*, 77, 200
- social practices, institution and system, 37, 43–44, 62–63
- social responsibilities, 200–204
 - accountants as professionals, 75–77, 79–80
 - code of conduct, 84, 86, 88
- SOS (tax shelter), 177
- standards, 111–113
 - Arthur Young, 133, 183
 - code of conduct rules, 103, 111–113, 125
 - conduct, 75–77, 80–81
 - KPMG, 130–132
 - SOX, 25–27, 220
 - tax accounting, 181–182, 189–190
- Statements on Auditing Standards (SASs), 25
- stock options, 208, 210
- study of ethics, 37–39
- subordination of judgment, 151–152
- Sunbeam, 33, 164, 197

- tampering with a record, 229–230
- tax accounting, 6, 10–11, 19, 92, 177–196, 211–212
 - conflict of interest, 108–110
- tax evasion, 79, 178
- Tax Executive Committee, 118
- tax shelters, 34, 185, 208, 210
- Telberg, Rick, 20, 135, 207
- temporary freeze authority, 230
- Teresa, Mother, 61
- Todd, John, 159

- transactions approach, 18
- Treadway Commission, 24–25
- Truman, President Harry, 49–50
- trust, 134–135
- Turner, Lynn E., 129, 147, 198
- Tylenol (painkiller), 204

- United Health Care, 162
- universalizability, 107, 134–135, 180–181
- universal law, 69–70
- utilitarianism, 62–67, 89
 - categorical imperative, 69–71
 - deontology, 68–69
 - Kant, 67–68
 - virtue ethics, 72

- Vanguard Group, 132, 198
- Vatter, Bill, 161
- virtue ethics, 72, 89
- Vogel, David, 206
- Volcker, Paul, 147

- Waste Management, 198
- Watkins, Sherron, 170
- Weitzen, Jeffrey, 159
- whistle-blowing, 166–170
- Whitehead, John, 147–148
- Willkie, Farr & Gallagher, 34
- WorldCom, 9, 27

- Yetmar, Scott, 186