

## SPECIAL REPORT

# Infusing Ethics in Managerial/Cost Accounting Classrooms: A Teaching Resource

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**THIS REPORT PROVIDES A GUIDE TO** an electronic database to supplement teaching cases published in the *IMA® (Institute of Management Accountants) Educational Case Journal (IECJ)*. The objective of this paper is to help faculty include ethical discussions in the classroom while minimizing faculty preparation and to help students develop skills to solve ethical dilemmas. Each case published in the IECJ is reviewed, and questions are developed based on the *IMA Statement of Ethical Professional Practice* standards. In the database, a teaching note is provided for each of the ethical questions to facilitate classroom discussion. This ethics database can help faculty address required course curriculum and manage discussions while instilling ethics in managerial and cost accounting courses.<sup>1</sup>

## INTRODUCTION

Several papers indicate the importance of ethics training in accounting programs.<sup>2</sup> Yet faculty face time constraints to review required material. Providing a tool for faculty to easily incorporate ethics discussions while students develop technical accounting skills allows faculty to cover the required material during the semester and gives students a framework to address potential ethical dilemmas in their careers. Accordingly, this report provides a guide to an electronic ethics database to supplement teaching cases published in the *IMA® (Institute of Management Accountants) Educational Case Journal (IECJ)* from 2008 to 2018 that

provides ethics questions for the four standards in the *IMA Statement of Ethical Professional Practice*: Competence, Confidentiality, Integrity, and Credibility. In addition, the ethics database provides a teaching note for each of the four ethics questions to help faculty guide ethics discussions in the classroom.

The ethics database is a downloadable Excel spreadsheet that allows for easy referencing of data to assist instructors in course preparation and instruction. It is available to IMA Academic Members from the Teaching Notes Library section on the IECJ website ([www.imanet.org/educators/ima-educational-case-journal](http://www.imanet.org/educators/ima-educational-case-journal)).

## IMPORTANCE OF TEACHING CASES

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Teaching cases are prominently used in higher education accounting classrooms and accounting examination structures.<sup>3</sup> Additionally, case studies create an opportunity for informed class discussions, development of analytical and critical-thinking skills, to connect theory to practice, enrich the learning and teaching experience, and exercise decision-making skills.<sup>4</sup> Case studies can introduce students to the vagueness and complexity of the decision-making process.<sup>5</sup> Faculty can embed various data and information in case content that mimics a real business setting, and students can analyze and discuss what information is relevant to a specific decision-making context, including an ethical dilemma setting. Therefore, case studies are a suitable platform for ethics training.

## IMPORTANCE OF ETHICS TRAINING

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The role of ethics in management accounting functions is essential. Management accountants provide services and skills to help various stakeholders by providing timely accounting information. Many stakeholders (such as investors, creditors, customers, suppliers, government, and auditors) rely on accounting information. Ethics play a central role in the career of a management accountant; stakeholders, reliant on correct accounting information, can avoid potentially damaging mistakes and publicity. Thus, management accountants must uphold a high degree of ethical standards in all functions; they need a solid foundation of identifying and resolving ethical issues.<sup>6</sup>

Ethics training begins in the classroom, where students learn how ethical dilemmas may present in business and during the decision-making process. Ethics training is necessary, as not all questions about ethical dilemmas are easy to distinguish.<sup>7</sup> Alfonso R. Oddo contends that ethics should be discussed in business courses and that while faculty are not ethicists, they can facilitate class discussion to prepare students to identify and address ethical issues.<sup>8</sup> Students must learn to identify and resolve ethical dilemmas so that they can prepare to consider the issue and relevant facts when ethical conflicts arise.<sup>9</sup> Professional organizations often adopt and publish a code of ethics for their members. Through using such a code as a guide, students can develop a framework to help identify ethical issues. Additionally, applying a code of ethics will help students determine an effective course of action to resolve the issue.<sup>10</sup> By building a sound foundation of problem solving in the classroom, students will have the confidence to address ethical dilemmas in their vocations.

## IMA'S ETHICAL PROFESSIONAL PRACTICE STANDARDS

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The *IMA Statement of Ethical Professional Practice (IMA Statement)* consists of four standards: Competence, Confidentiality, Integrity, and Credibility. In addition, users' responsibilities are listed within each standard. According to IMA, under the Competence standard:

1. Maintain an appropriate level of professional leadership and expertise by enhancing knowledge and skills.
2. Perform professional duties in accordance with relevant laws, regulations, and technical standards.
3. Provide decision support information and recommendations that are accurate, clear, concise, and timely. Recognize and help manage risk.<sup>11</sup>

Under the Confidentiality standard:

1. Keep information confidential except when disclosures are authorized or legally required.
2. Inform all relevant parties regarding appropriate use of confidential information. Monitor to ensure compliance.
3. Refrain from using confidential information for unethical, illegal advantage.<sup>12</sup>

Under the Integrity standard:

1. Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts of interest.
2. Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
3. Abstain from engaging in or supporting any activity that might discredit the profession.
4. Contribute to a positive ethical culture and place integrity of the profession above personal interest.<sup>13</sup>

Under the Creditability standard:

1. Communicate information fairly and objectively.
2. Provide all relevant information that could be reasonably expected to influence an intended user's understanding of the reports, analyses, or recommendations.
3. Report any delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable by law.
4. Communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.<sup>14</sup>

These provide professional guidelines to give users an ethical framework of conduct to determine whether a situation is unethical and warrants action. For instance, if an individual witnessed a colleague using confidential information for investing decisions, by adhering to the *IMA Statement*, the individual can identify that the action violates the Confidentiality standard and is unethical behavior. Then the individual can follow the recommendations for Resolving Ethical Issues published in the *IMA Statement* and take appropriate action that follows organizational policies, such as reporting anonymously.<sup>15</sup>

## CLASSROOM TIME CONSTRAINTS

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Despite the importance of instilling ethics in the classroom, instructors have time constraints. Depending on the course, some instructors must cover specified topics in managerial/cost accounting. For instance, Ohio has established learning outcomes for managerial accounting to ensure consistency among programs throughout the state.<sup>16</sup> Furthermore, some accounting programs have achieved the IMA Endorsement, meaning that the curriculum covers various topics and challenges students from different perspectives (such as critical thinking in cost accounting topics) to prepare them for the CMA® (Certified Management Accountant) examination, further stretching a full curriculum.<sup>17</sup>

Together, these requirements may result in instructors sacrificing essential activities, such as deep ethical discussions, to meet external course requirements.<sup>18</sup> By integrating an ethics component into the topic, however, instructors can save time while helping students develop critical-thinking and analysis skills regarding ethical dilemmas. This is accomplished by using a teaching case and addressing ethics as another component (for example, using a teaching case to create budgets and discuss budgetary issues), and then adding an ethics component to the well-developed case to discuss budgetary slack creation. Therefore, instructors do not use class time to discuss ethics on a standalone basis but integrate it into the larger conversation.

## METHOD

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The primary output of this project is an Excel spreadsheet with an index of ethics questions in teaching cases in *IECJ*. We reviewed all the teaching cases available and published from 2008 to 2018 in *IECJ*. Then, for each case, we developed ethics-related questions and discussion topics that instructors can use in addition to the assignment. There are additional ethics questions for each teaching case as well. The ethics questions are based on each standard in

the *IMA Statement*. We divided the cases, and each author took a section to develop questions. Once completed, the other authors reviewed each section to determine whether the ethics questions were appropriate for the case. For discrepancies among the authors, all three authors reviewed the case and the question, followed by discussion, until we reached consensus.

Once the ethics index was developed, we created a high-level keyword index for each case based on managerial/cost accounting textbook chapters (for example, activity-based costing, and overhead allocation). Although the *IECJ* provides an Excel spreadsheet with numerous detailed keywords regarding the cases, we wanted to provide instructors an easy way to narrow down possible cases based on common textbook chapter topics. The objective is to help simplify the process of aligning cases with chapter topics. Case summaries are taken directly from the IECJ Searchable Database Case Index.<sup>19</sup> The spreadsheet also includes the ethics questions and a teaching note for each of the ethics questions provided.

## CLASS DISCUSSION

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Once students are familiar with the case, instructors can identify a class period to incorporate the ethics discussion.<sup>20</sup> To limit class lecture time regarding the *IMA Statement*, instructors may consider including this as either a homework assignment or as part of preparing for a quiz. This will result in more students being prepared for the discussion. To remind students of the case and engage them in active learning, instructors can ask students to state the main points of the case prior to the ethics discussion.

Without sharing the ethics standard category, instructors may assign the ethics questions in different formats: (1) Use groups and assign one of the four *IMA Statement* questions to each group, (2) Require each group to address all four ethics questions, or (3) Require each student to answer all four ethics questions. Allow students five to 10 minutes to ponder the case and question(s) before opening the floor for class discussion. Once ample time has passed, ask students to identify contemporary accounting issues the ethics question poses.

Instructors can then lead class discussions toward the ethical standards and determine methods to prevent that ethical dilemma from happening (for example, additional controls to prevent asset misappropriation). It is important that students relate their solutions to the *IMA Statement* so that they learn to use a framework to address an ethical dilemma. For example, the ethics question asks students to consider the implications of two parties being related in the transaction. Students should identify that the question is based on the Integrity standard of

the *IMA Statement* and that Integrity would indicate the person is responsible to “Mitigate actual conflicts of interest, regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of potential conflicts.”<sup>21</sup> Students can suggest actions to address the ethical issue. Instructors may challenge students to think about what they would do differently to avoid that scenario (for example, full disclosure of relationships between parties).

Instructors can integrate ethical thinking in relevant managerial or cost accounting topics by assigning students to identify and discuss ethical behavior in specific topics. For example, after explaining the mechanism of transfer pricing, instructors can ask students to analyze unethical behavior that could occur when determining a transfer price if there is a potential lack of independence. Instructors can pose additional questions such as identifying ethics codes that could be violated, so that if an ethical dilemma arises during their careers, students will be better able to identify and classify events to determine the appropriate course of action.<sup>22</sup>

Students can be challenged to determine possible organizational consequences of that unethical behavior (for example, impact on employee morale or repercussions on reputations). Doing so can help students develop cause-and-effect analysis of ethical issues skills.<sup>23</sup>

If instructors wish to delve deeper into the ethics issue, they may use active learning and introduce the possibility of role playing in discussion sessions. Students can take turns assuming the role of the potential perpetrator and/or manager. Role playing offers students a chance to reflect on factors that may influence individuals’ decisions to commit or report unethical actions.<sup>24</sup>

If students struggle with identifying potential ethical issues or solutions, instructors can guide students using the teaching notes provided to suggest a direction that students should consider. Teaching notes are provided with the ethics question for each standard and gives the *IMA statement* sub-item students should consider when determining a solution. The objective is to provide students with a direction to begin their discussion.

## SUPPLEMENTAL RESOURCES

Several other resources are available for instructors who plan to infuse ethics into any teaching case or class activity. One valuable resource is IMA’s Ethics Center.<sup>25</sup> The Ethics Center displays information regarding IMA’s Committee on Ethics along with access to the *IMA Statement*. The center also offers an Ethics Helpline that provides free service to members and business professionals to confidentially discuss any ethical issue. This is a useful feature to inform students for their reference.

Besides the *IMA Statement*, there are other professional codes of conduct available that instructors can adopt and present in class, including the Code of Professional Conduct published by the AICPA (American Institute for Certified Public Accountants), the Code of Ethics published by FEI (Financial Executives International), and the Handbook of the Code of Ethics for Professional Accountants published by IFAC (International Federation of Accountants). Future research could develop additional questions and notes that use a different professional code of conduct.

## CONCLUSION

Instructors face time constraints regarding the material they must cover during the semester. By using a teaching case and adding an ethics component, instructors can cover the required material and prepare students for potential ethical issues. Using the ethics database, instructors can choose which case from *IECJ* will fit within their class coverage and add ethics questions from each standard of the *IMA Statement*. In summary, this electronic ethics database provides an opportunity for faculty to conduct ethics training using relevant cases in the *IECJ* while minimizing additional class time.

### ABOUT IMA® (INSTITUTE OF MANAGEMENT ACCOUNTANTS)

IMA®, the association of accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) program, continuing education, networking and advocacy of the highest ethical business practices. IMA has a global network of more than 125,000 members in 140 countries and 300 professional and student chapters. Headquartered in Montvale, N.J., USA, IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe, and Middle East/India. For more information about IMA, please visit [www.imanet.org](http://www.imanet.org).

## ENDNOTES

- <sup>1</sup>The Excel spreadsheet (“*Ethics database*”) can be accessed in the Teaching Notes Library section on the IECJ website ([www.imanet.org/educators/ima-educational-case-journal](http://www.imanet.org/educators/ima-educational-case-journal)). You must be an IMA Academic Member to access the IECJ Teaching Notes Library. You can learn about membership through IMA’s website: [www.imanet.org](http://www.imanet.org).
- <sup>2</sup>Richard A. Bernardi and David F. Bean, “Ethics in Accounting Education: The Forgotten Stakeholders,” *The CPA Journal*, July 2006, p. 56; Cindy Blanthorne, Stacy E. Kovar, and Dann G. Fisher, “Accounting Educators’ Opinions About Ethics in the Curriculum: An Extensive View,” *Issues in Accounting Education*, August 2007, pp. 355-390; David S. Kerr and L. Murphy Smith, “Importance of and Approaches to Incorporating Ethics Into the Accounting Classroom,” *Journal of Business Ethics*, December 1995, pp. 987-995; and Jan Williams and Raymond J. Elson, “Improving Ethical Education in the Accounting Program: A Conceptual Course,” *Academy of Educational Leadership Journal*, December 2010, pp. 107-116.
- <sup>3</sup>Trevor Hassall and Markus J. Milne, “Using Case Studies in Accounting Education,” *Accounting Education: An International Journal*, June 2004, pp. 135-138.
- <sup>4</sup>John Cullen, Sue Richardson, and Rona O’Brien, “Exploring the Teaching Potential of Empirically-Based Case Studies,” *Accounting Education: An International Journal*, June 2004, pp. 251-266; Margaret Healy and Maeve McCutcheon, “Teaching With Case Studies: An Empirical Investigation of Accounting Lecturers’ Experiences,” *Accounting Education: An International Journal*, December 2010, pp. 555-567; and David Jennings, “Strategic Management: An Evaluation of the Use of Three Learning Methods,” *Journal of Management Development*, January 2000, pp. 20-27.
- <sup>5</sup>Gordon Boyce, Sarah Williams, Andrea Kelly, and Helen Yee, “Fostering Deep and Elaborative Learning and Generic (Soft) Skill Development: The Strategic Use of Case Studies in Accounting Education,” *Accounting Education*, 2001, pp. 37-60.
- <sup>6</sup>Curtis Verschoor, “Ethical Behavior for Management Accountants,” *Strategic Finance*, January 2016, <http://sfmagazine.com/post-entry/january-2016-ethical-behavior-for-management-accountants>.
- <sup>7</sup>James Brummer, “Business Ethics: Micro and Macro,” *Journal of Business Ethics*, April 1985, pp. 81-91; and Julia Christensen Hughes and Tricia Bertram Gallant, “Infusing Ethics and Ethical Decision Making Into the Curriculum,” In: *Handbook of Academic Integrity*, Tracey Bretag (Ed.), pp. 1055-1073.
- <sup>8</sup>Alfonso R. Oddo, “A Framework for Teaching Business Ethics,” *Journal of Business Ethics*, February 1997, pp. 293-297.
- <sup>9</sup>Victoria McWilliams and Afsaneh Nahavandi, “Using Live Cases to Teach Ethics,” *Journal of Business Ethics*, September 2006, pp. 421-433.
- <sup>10</sup>Oddo, 1997.
- <sup>11</sup>IMA® (*Institute of Management Accountants*) *Statement of Ethical Professional Practice*, Institute of Management Accountants, Montvale, N.J., July 2017. [www.imanet.org/-/media/b6fbbeb74d964e6c9fe654c48456e61f.ashx](http://www.imanet.org/-/media/b6fbbeb74d964e6c9fe654c48456e61f.ashx).
- <sup>12</sup>*Ibid.*
- <sup>13</sup>*Ibid.*
- <sup>14</sup>*Ibid.*
- <sup>15</sup>The Resolving Ethical Issues section of the *IMA Statement* provides steps for reporting violations. This starts with following the organization’s reporting policies (internal or external). If the organization does not have reporting policies, then the individual should do one of the following: discuss with supervisor or management, use IMA’s anonymous help line, or consult with his or her own attorney.
- <sup>16</sup>Ohio’s Department of Higher Education developed the Transfer Assurance Guide (TAG) to ensure the comparability and compatibility of students’ transfer process across Ohio’s public higher education institutions. TAG regulates learning objectives of the Introduction to Managerial Accounting course offered in all Ohio public higher education institutions. The learning objectives are available at [www.ohiohighered.org/sites/ohiohighered.org/files/Managerial%20Accounting%20TAG%20Finalized%2011-6-14.pdf](http://www.ohiohighered.org/sites/ohiohighered.org/files/Managerial%20Accounting%20TAG%20Finalized%2011-6-14.pdf).
- <sup>17</sup>Higher Education Endorsement Program, Institute of Management Accountants, 2017, [www.imanet.org/educators/higher-education-endorsement-program](http://www.imanet.org/educators/higher-education-endorsement-program).
- <sup>18</sup>William R. Allen, Paul Bacdayan, Kellyann Berube Kowalski, and Mathew H. Roy, “Examining the Impact of Ethics Training on Business Student Values,” *Education & Training*, April 2005, pp. 170-182.
- <sup>19</sup>The *IECJ* Searchable Database can be found on the IECJ website, [www.imanet.org/educators/ima-educational-case-journal](http://www.imanet.org/educators/ima-educational-case-journal).
- <sup>20</sup>If class time is limited, faculty may also require students to submit essays regarding the ethics questions.
- <sup>21</sup>Institute of Management Accountants, 2017, [www.imanet.org/educators/higher-education-endorsement-program](http://www.imanet.org/educators/higher-education-endorsement-program).
- <sup>22</sup>Daniel P. Sulmasy, Gail Geller, David M. Levine, and Ruth Faden, “Medical House Officers’ Knowledge, Attitudes, and Confidence Regarding Medical Ethics,” *Archives of Internal Medicine*, December 1990, pp. 2509-2513.
- <sup>23</sup>Boyce, Williams, Kelly, and Yee, 2001.
- <sup>24</sup>*Ibid.*; Frederik G. Crane, “The Teaching of Business Ethics: An Imperative at Business Schools,” *Journal of Education for Business*, August 2010, pp. 149-151; McWilliams and Nahavandi, 2006; and D. Glen Miller and Karen L. Jett, “Six Ways to Teach Ethics,” *Strategic Finance*, May 2016, <http://sfmagazine.com/post-entry/may-2016-six-ways-to-teach-ethics>.
- <sup>25</sup>Ethics Center, Institute of Management Accountants, 2019, [www.imanet.org/career-resources/ethics-center](http://www.imanet.org/career-resources/ethics-center).

## APPENDIX: EXAMPLE FROM ETHICS DATABASE

|                                   |   |  |
|-----------------------------------|---|--|
| IECJ Index Number                 | 1   |  |
| Case Title                        | Coors Balanced Scorecard: A Decade of Experience  |  |
| Authors                           | H. Grove, T. Cook and K. Richter  |  |
| Year                              | 2008  |  |
| Volume                            | 1   |  |
| Issues                            | 1   |  |
| Area                              | Balanced Scorecard  |  |
| Case Setting / Simple Description | <p>After Coors reengineered its supply chain, it decided to track this project's progress by implementing a company-wide balanced scorecard (BSC), starting in 1998 and continuing to the present. The case's major decision problem is how to develop a BSC for Coors. To start the BSC process, students first assess whether there are any gaps between Coors' vision statement and its key business strategies. Students then answer the employees' frequently asked questions (FAQs) about Coors' BSC project and construct a BSC that includes benchmarking targets and reporting frequencies for key performance measures. Finally, students are asked to identify the FAQs and key performance measures that were critical to Coors' successful implementation and application of its BSC over the last decade. Lessons learned are also discussed.</p> |  |
| Competence                        | Question for Discussion   | Assuming Ken does not have any experience or knowledge in designing, implementing, and maintaining an effective BSC system, what steps should Ken take to ensure that he has an appropriate level of professional expertise to lead such a project?  |
|                                   | Teaching Note   | Students can discuss whether Ken could seek out a mentor who has an appropriate level of experience and knowledge and would be willing to work with Ken. Alternatively, Ken could seek out educational opportunities that would provide an acceptable level of expertise.  |
| Confidentiality                   | Question for Discussion   | In the introduction, Matt states that he has certain benchmarking data but that it is limited due to confidentiality problems in obtaining such data. Therefore, Matt suggests that Coors may want to consider joining one of the commercial benchmarking databases. What are the confidentiality concerns regarding joining a benchmarking database, and do you think the benefits of joining such a database outweigh the concerns?  |
|                                   | Teaching Note   | Students can discuss whether it would be appropriate for Matt to research benchmarking databases and what their procedures are for gathering information and maintaining confidentiality of company information while disseminating useful information to the database members. Matt may also want to discuss the possibility of joining such a database with other department heads and the legal department to determine the limits of what they would share.  |
| Integrity                         | Question for Discussion   | Matt used crisis motivation to implement the Computer Integrated Logistics project because the old supply chain structure could not physically handle the marketing department's new product plans. Ken is considering using crisis motivation to implement the BSC, because the current performance was not meeting desired results. Is there a conflict of interest for Ken in using this method of motivation?  |
|                                   | Teaching Note   | Students can consider whether or not using crisis motivation would prejudice the implementation of and results from a BSC. While it would be professionally beneficial for Ken to get the BSC in place, he needs to consider whether such a move would damage the company and profession ethically.  |
| Credibility                       | Question for Discussion   | As of January 1998, the BSC project has not been implemented, and top management is pressing to be able to use it to evaluate 1998 performance. What kind of credibility issue(s) does this create for the project and project team?   |
|                                   | Teaching Note   | Students can discuss whether it would be appropriate to evaluate the whole of 1998 on a system that was not in place not only for the entire year but with enough advance warning that employees would understand how they were being evaluated. When a system is being used to evaluate performance, the assumption is that those who are being evaluated know how and on what basis they are being evaluated. By implementing the BSC project after the beginning of the evaluation period, management will be considering a portion of the year when staff did not know the method of evaluation. |