

Table of Contents

INTRODUCTION.....	4
PART I: UNDERSTANDING MORALITY AND ESTABLISHING OUR OWN ETHICAL FRAMEWORK.....	5
Defining Ethics	5
Are Ethics Absolute?	5
The Role of Ethical Standards	6
Written Ethical Rules vs. Customs	7
Case Study: Pay to Play: Avon’s Expansion Into China.....	8
<i>The Conundrum Among Values, Ethics & Morals</i>	9
Case Study: “No harm, no foul?”	11
When Ethics and Morals Converge.....	13
Moral vs. Ethical Actions.....	13
Case Study: Toyota Managing Counsel Dimitrios Biller	14
Clean Hands Dilemma	15
CASE STUDY: The Police Officer and the NFL Player	15
Countering the Clean Hands Dilemma.....	16
CASE STUDY: Student Suspended after Carrying Classmate to Nurse	17
What is Ethical Reasoning?.....	18
CASE STUDY: SEC Charges The Kraft Heinz Company	20
CASE STUDY: Yale Med School Administrator Embezzlement of \$40 million.....	23
A Framework for Ethical Decision Making.....	24
Case Study: A Saint in Sin City.....	24
Other Barriers to Ethical Behavior	26
Bounded Ethicality	26
Ethical Fading	27
Convictions, Prison Time: A Look at College Admissions Scam	27
Cognitive Dissonance	29
Loss Aversion.....	30

Why did no one stop Madoff?	30
Whistleblowing	32
Next Steps	33
PART II: STANDARDS TO LIVE BY: CPA CODES OF CONDUCT	34
Texas Rules of Professional Conduct	34
AICPA Code of Professional Conduct	35
TX RPC §501.73 Integrity and Objectivity	37
ET § 1.100.001.01/2.100.001.01 Integrity and Objectivity Rule	38
TX RPC §501.70 Independence	38
ET § 0.400.21 (Definitions)- Independence	38
CASE STUDY: Ernst and Young \$100m Fine for Auditors Cheating on Exam	39
THREATS TO INDEPENDENCE	41
ET § 1.210.010 Conceptual Framework for Independence	41
THREATS TO INTEGRITY AND OBJECTIVITY	44
ET § 1.130.020 Subordination of Judgment	44
ET §§ 1.110.010/2.110.010 Conflicts of Interest	47
ET § 1.130.010 Knowing Misrepresentations in the Preparation of Financial Statements or Reco	47
ET § 1.140.010 Client Advocacy	47
DEALING WITH THREATS.....	48
ET § 1.000.10/2.000.10 Conceptual Framework for Members	48
RESPONSIBILITIES TO THE PUBLIC.....	49
TX RPC §501.83 Firm Names.....	50
ET § 1.820.030 Misleading Firm Names.....	51
ET § 1.400.090 False, Misleading, or Deceptive Acts in Promoting or Marketing Professional Ser	51
TX RPC §501.82 Advertising.....	51
ET § 1.600.001 Advertising and Other Forms of Solicitation Rule.....	52
RESPONSIBILITIES TO CLIENTS/EMPLOYERS	54
TX RPC §501.74 Competence.....	55
ET § 0.300.060 Due Care	55
ET § 1.300.010 Competence	55
TX RPC §501.76 Records and Work Papers.....	56

TX RPC §501.79	57
ET § 1.230.010 Unpaid Fees.....	58
ET §1.400.200 Records Requests.....	58
TX RPC §501.75 Confidential Client Communications.....	59
ET § 1.400.070/2.400.070 Confidential Information Obtained From Employment or Volunteer Activities.....	60
ET § 1.700.001 Confidential Client Information Rule	61
TX RPC §501.72 Contingency Fees	61
ET § 1.510.001 Contingent Fees Rule	61
TX RPC §501.71 Receipt of Commission, Compensation or Other Benefit.....	62
ET § 1.520.001 Commissions and Referral Fees Rule	62
ET § 1.700.020 Disclosing Information From Previous Engagements.....	63
ET § 1.700.030 Disclosing Information to Persons or Entities Associated With Clients	63
RESPONSIBILITIES TO THE BOARD/PROFESSION	63
ET § 0.300.020 Responsibilities.....	63
TX RPC §501.90 Discreditable Acts	63
ET § 1.400.001 Acts Discreditable Rule.....	66
ET § 1.400.010/2.400.010 Discrimination and Harassment in Employment Practices	66
ET § 1.400.030/2.400.030 Failure to File a Tax Return or Pay a Tax Liability	66
ET § 1.400.040 Negligence in the Preparation of Financial Statements or Records	67
CASE STUDY: Steven Martinez	67
ET § 1.400.050 Governmental Bodies, Commissions, or Other Regulatory Agencies	67
TX RPC §501.80 Practice of Public Accountancy.....	68
ET § 1.400.100 Use of the CPA Credential	68
ET § 1.800.001 Form of Organization and Name Rule.....	69
ET § 2.400.040 Negligence in the Preparation of Financial Statements or Records	69
CASE STUDY: KPMG’S \$456 Million Penalty.....	69
ACCOUNTANTS CONFIDENTIAL ASSISTANCE NETWORK	71
Part III: Conquering Ethical Conundrums and Increasing Your Ethical Presence.....	74
<i>CASE STUDY: The Sinking of the Royal Charter</i>	75
CASE STUDY: Stealing Lunch Money at the Rialto Unified School District.....	77
Case Study: Rose Valland: An Unexpected Hero	81