

Ethics in ACCOUNTING: Alumnus and Faculty Ensure Ethics Account for Success

By: Jocelyn Pedersen

Ethics – a set of moral principles relating to the conduct of a group or field – cannot be overstated at the Price College Steed School of Accounting. Price College strives to impart the importance of ethics upon its students and the accounting field by integrating ethics throughout its curriculum, providing an ethics chair and hosting an annual ethics competition for unpublished faculty research papers.

Frances Ayres, PhD, associate dean of Price College and Dale Looper Chair of Accounting, said she thinks ethics are very important in accounting

toward or against any stakeholder,” Ayres said.

Ayres suggests the course that “probably brings the most salience to ethics for most accounting students is Contemporary Auditing Issues, where students are required to consider real-world situations and cases that force them to address ethical dilemmas in accounting and auditing practices.”

Michael C. Knapp, PhD, David Ross Boyd Professor, McLaughlin Chair in Business Ethics and Professor of Accounting, not only teaches this class, his book, *Contemporary Auditing*,

Among other topics, students study the role of accountants and auditors in financial crises that have impacted the U.S. economy in recent decades. In particular, Knapp’s students address the responsibility corporate accountants have to ensure their companies report honestly and fairly to the investing and lending public. Likewise, students focus on the obligation independent auditors have to report companies that fail to embrace the full and fair disclosure creed of the Securities and Exchange Commission.

Knapp said sometimes accountants and auditors “come up short,” which results in accounting scandals and audit failures. He said the elusive concept of “auditor independence” is at the heart of many scandals. “Some critics suggest that we can’t be unbiased



Price College accounting faculty celebrate the 2013 McLaughlin Ethics Award recipients from Duke University at Vast in Oklahoma City.

since accountants, auditors, CPAs and other professionals are responsible for the integrity of businesses’ financial information. Any dishonesty or lack of integrity affects the information, she said.

“There’s not a problem in accounting, *per se*; the ethics are just so important in accounting so the numbers aren’t biased

offers a collection of case studies that inspire students to think about real-life ethical issues independent auditors and accountants face. Knapp said he and his students spend a lot of time talking about important ethical issues, such as client confidentiality, auditor independence and the responsibility CPAs have in serving the public interest.

if we (auditors) are paid huge fees for our services,” Knapp said. “On the one hand, we have a societal mandate to ensure that public companies report honestly in their financial statements, but on the other hand, we are compensated by our clients for our services, which undermines our objectivity and independence. In sum,



From left: Bill Mayhew, associate professor of accounting at Duke University; Thomas Steffen, PhD candidate at Duke University; Fran Ayres; Dipankar Ghosh; Shane Dikolli, associate professor of accounting at Duke University; and Chris Knapp.

maintaining that objectivity and independence is the most critical ethical issue faced by auditors.”

Bearing this in mind, Knapp said at Price, “we teach our students to be ethical.” By making students aware of the ethical issues and dilemmas they may face in their careers, Knapp said he hopes they will avoid making some of the serious mistakes auditors have made in the past.

Understanding the importance of ethics, OU alumnus Glen McLaughlin, 1956 BAcc, who Ayres described as a “top-notch accounting graduate,” now venture capitalist, has supported ethics at Price College through the Glen McLaughlin Chair in Ethics, which Knapp currently holds. Ayres said McLaughlin wanted Price College’s ethics program to receive more national exposure and build its reputation, so he has now endowed an annual award for unpublished faculty research papers with an ethics theme.

Dipankar Ghosh, PhD, David C. Steed Professor of Accounting, serves as chair of the McLaughlin Award Committee and has been involved with

the annual ethics-themed contest for several years. He said the contest had “humble beginnings” with only seven entries of average quality the first year. The competition has grown, and now there are between 25 and 30 national and international submissions each year, which he describes as “fabulous” papers from “very well-regarded researchers.” These papers, according to Ghosh, go on to be published in top-level journals.

“The award increases the awareness and visibility of the ethics program in the Steed School of Accounting, Price College and the university, both nationally and internationally,” Ayres said.

Ghosh said the award has gained enough prominence and stature that he doesn’t have to spend much time soliciting entries. The quality of the papers, which explore the ways ethics play out in fraud, reporting and tax returns, for example, drive the annual award, which is judged by editors of prominent accounting journals. Ghosh has high praise for McLaughlin and his generosity while being cognizant of his responsibility to administer the selection of the ethics prize winner.

“Mr. McLaughlin has been very generous with his time and resources, and it is our responsibility to fulfill the aspirational goals he has set out for this award,” Ghosh said.

McLaughlin said he enjoyed his time at OU, and that prompted him to give back.

“I had a great undergraduate experience at the University of Oklahoma, where 25 years ago I started a program in business ethics,

which is now fully endowed and includes a national prize for faculty scholarship and a chair in the business school. I am a firm believer in giving while living so that adjustments can be made in programs to achieve the desired purpose, versus leaving it to others to interpret our wishes. The college now requires all students to take a course in business ethics to raise awareness of the issues so as to avoid drifting into unethical behavior,” McLaughlin said. “The dean told me, in 2014, that this required course step could not have been taken without the earlier steps taken to elevate the issue and teach the students. It had been a quarter century since my first gift for ethics, which finally reached the intended goal of college-wide emphasis on ethics.”

Ayres summed up Price College’s vision and McLaughlin’s gift when she said, “In my opinion, Glen is really a visionary in seeing the importance of ethics in accounting, and his support of Price College reflects that vision.”



Price College accounting faculty spouses, Janet Crain (left) and Anita Ghosh (right), with Shane Dikolli