

A Framework for Teaching Soft Skills and Ethics in an Overcrowded Accounting Curriculum

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Abstract

This paper introduces an innovative framework to reduce demand on instructional time by simultaneously developing students' soft skills and ethical reasoning skills. Traditional ethics education often fails to address how to move from making the correct ethical judgement to actually acting on it (a judgement-action gap), because ethical action requires self-efficacy (the belief a difference can be made) and moral courage (the courage to act). However, after enhancing soft skills and ethical reasoning skills, our framework goes further by requiring students to take ethical action and communicate their concerns to a superior. Results from utilizing our framework show significant increases in students' ethical reasoning, self-efficacy, and confidence (an important component of moral courage) that can reduce the likelihood of a judgement-action gap. While our framework uses scenarios developed by the authors, it can also be easily integrated into existing ethics cases/exercises that require students to make an ethical judgement. Given accounting educators' valid concerns about using scarce instructional time for soft skills education, our framework can be fully implemented through online instruction and collaboration—requiring little, if any, classroom time. Additionally, we provide significant instructor resources to reduce implementation and grading costs.

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Introduction

The purpose of this paper is to provide an innovative, efficient framework to simultaneously develop students' soft skills and ethical reasoning skills without constraining instructional time. For many years the accounting profession and its accrediting bodies have urged academia to do more to develop both ethical reasoning and soft skills in accounting students (AACSB, 2004; AICPA, 2011; Neesham & Azim, 2017; Zekany, 2020). At the same time, the body of technical knowledge required of accounting students has continued to grow, increasing pressure on an already overcrowded curriculum. In addition, concerns about the effectiveness of accounting ethics education have led some

educators to question the increased focus on soft skills (including ethics) in the accounting curriculum (Rebele & St. Pierre, 2019; Wang & Calvano, 2015). These factors make the development of our framework very timely, as it provides a mechanism for addressing technical knowledge, soft skills, and ethical reasoning simultaneously, while requiring minimal instructional time to do so.

One concern about current accounting ethics education is that, while it is effective in raising awareness of ethical issues, this awareness does not always translate into improved ethical judgements, decisions, and actions—creating a judgement-action gap¹ between ethical judgement and ethical action (Blasi, 1980; Sweeney & Costello, 2009). We suggest this gap exists because the typical approach for teaching ethics focuses on ethical theory and discussions/applications of ethical principles but does not help students develop the skills and attributes needed to act on their ethical judgements. Self-efficacy (the belief that one can accomplish a task successfully) and moral courage are required to question or report unethical behavior when encountered—especially if a superior is involved (Gentile, 2013; Miller, Shawver, & Mintz, 2020; Mintz & Morris, 2013). Unfortunately, these attributes are not traditionally included in current ethics education. Yet, accountants need experience incorporating soft skills with communication strategies that enhance their self-efficacy and moral courage to challenge unethical behavior when faced with personal costs (e.g., being fired) for doing so (Johnson, 2017; Liu, Xu, & Krahel, 2019; Sekerka, Bagozzi, & Chamigo, 2009; Tenbrunsel & Messick, 2004). Highlighting these concerns, practicing accountants suggest integration of soft skills training to improve communication and collaboration to resolve ethical conflicts (Neesham & Azim, 2017).

The suggestion that soft skills and ethics are intertwined is not novel. One goal of an effective accounting ethics education is to develop students' abilities to respond to ethical conflicts and dilemmas (Loeb, 1988). In developing their comprehensive accounting education framework, the American Accounting Association's 2010 Joint Curriculum Task Force suggested soft skills and ethics are intertwined because interpersonal and communication competencies are foundational to supporting ethical competencies (Lawson et al., 2014). Yet, empirical evidence suggests accounting majors are less likely than other business majors to report gains in interpersonal and communications skills from their undergraduate education (Berry & Routon, 2020). Consequently, it appears students would benefit from exercises aimed at simultaneously developing soft skills, communication skills, and ethical competencies.

Our framework provides this experience by incorporating technical knowledge, soft skills, ethical reasoning, and written communication simultaneously. It can be used with our hypothetical scenarios (see Appendix B), or it can be added to any case/exercise of the instructor's choosing.

The Framework

The basis for our framework uses a hypothetical scenario that places students into the role of a new CPA whose superior has proposed a course of action that has ethical implications. Students are faced with the ethical dilemma of whether to accept the superior's proposed unethical action (to minimize conflict) or to confront the superior (with potential personal and professional costs). Our framework then exposes students to soft skills and communication strategies to develop their self-efficacy and moral courage needed to challenge the superior's unethical behavior. Specifically, we use Dale Carnegie's 30 Human Relations Principles (DC Principles) as our approach to teaching soft skills because they aid in professional conflict resolution.

DC Principles are a checklist of soft skills strategies (see Appendix C) that are almost 100 years old and have been utilized by many successful leaders to navigate complex psychological, political, and social issues that arise in the business world (Carnegie, 1981; England, Nagel, & Salter, 2020). In fact, Warren Buffett attributes his success primarily to DC Principles (Mejia & Ward, 2017),² which shows soft skills can be learned and enhanced to improve self-efficacy and moral courage (Berry & Routon, 2020; Cherniss & Goleman, 1998; Goleman, 1995; Muir, 2004). Moreover, because of their age and prevalence, there are many online resources (e.g., YouTube videos) that can be used by instructors as teaching aids, which increases efficiency and reduces the costs of implementing our framework.

¹ The judgment-action gap exists when the cognitive ability to identify and understand an ethical behavior (i.e., ethical reasoning) does not manifest in a corresponding ethical action based on such ethical reasoning (Blasi, 1980; Neesham & Azim, 2017).

² Other successful DC graduates include Mary Kay Ash, Lee Iacocca, and Orville Redenbacher (Dale Carnegie of Tennessee, 2012).

Using our framework, students are ultimately moved beyond ethical analysis and decision making to taking ethical action. The action required by the student is to use DC Principles to compose an email response to the superior addressing the superior's proposed unethical action (see Case Instructions in Appendix A). Using DC Principles provides a semi-structured method to develop soft skills needed to write such an email by providing students a checklist of strategies to consider when developing their email responses. DC Principles are timeless and can be utilized in all forms of communications, including email (Miller, 2018). Moreover, using DC Principles provides students with clear expectations about the assignment and reduces grading time because the outcomes can be measured.

We chose email as the mode of communication because of its prevalence and importance in the accounting profession. Soft skills are very important when using email because nonverbal communication cues of body language and voice tone, which comprise 55% and 38% of communication, respectively, are not present (Mehrabian, 1972). Accordingly, relationships with colleagues can be easily damaged through email because emotions are easily miscommunicated, which can escalate conflicts (Barsade, 2002; Friedman & Currall, 2003; Riordan & Trichtinger, 2017).

Despite these issues, email remains the dominant and preferred means of business communication (Alton, 2019; Waterford Technologies, 2017). Also, since accountants are required to maintain documentation of ethical conflicts (AICPA, 2015), email creates a practical means of raising ethical concerns and maintaining chronological documentation of all related communications.

Learning Objectives and Benefits

Our framework has three main learning objectives: (a) to provide students the opportunity to identify an ethical problem and develop an appropriate action in response, (b) to provide students a framework to develop soft skills necessary to increase their self-efficacy and moral courage to confront ethical problems, and (c) to provide students an opportunity to practice using these soft skills by working collaboratively to develop a written communication that puts their proposed action into practice.

Benefits of our framework are efficiency and an active, collaborative learning environment. Accounting instructors incur significant opportunity costs within their courses due to the large volume of technical knowledge demanded by the profession and a constrained number of credit and instructional hours (Loeb, 1991; Rebele & St. Pierre, 2019). For this reason, our framework is designed to be administered completely within a learning management system (LMS) to reduce demands on scarce class time.³ In addition, our framework utilizes collaborative learning and an active learning environment by allowing students to work together in teams to achieve the learning objectives as well as provides students the opportunity to discuss, negotiate, and reflect upon existing beliefs and knowledge (Agostinho, Lefoe, & Hedberg, 1997; Nikolai, 2006). Consequently, students are provided exposure to real-world problem-solving processes and the collaborative work environments upon which businesses heavily depend (Yazici, 2004).

Implementation Guidance

Our framework can be implemented over a two or three-week period and includes both *team* and *individual* assignments. For the email drafting assignments, we recommend using small *teams*⁴ of students to create a more active, collaborative learning environment, as it provides students additional opportunities to apply DC Principles with each other during team interactions.

While our framework is designed to work as an add-on to existing cases/exercises, we provide three hypothetical scenarios that we developed and used (see Appendix B). These scenarios address typical ethical issues encountered by accountants in the areas of financial accounting, taxation, and auditing (Mathers & Schrock, 2014; Neesham &

³ The framework can be easily modified for a face-to-face environment.

⁴ A major benefit of using teams is it reduces the number of emails that need grading. We reduce threats of free riding by implementing a system where students evaluate their teammates' contributions

Azim, 2017; Parker, 2010; Pearson, 2015). This design allows our framework to be utilized in various core accounting courses as recommended by the Treadway Commission and practicing accountants (National Commission on Fraudulent Financial Reporting, 1987; Neesham & Azim, 2017; Wyatt & Gaa, 2004). Instructors can assign only the scenario related to their course, or if teaching an accounting ethics course, multiple scenarios can be utilized to reinforce skills.

To increase reflection and soft skills development, we recommend students perform the critiques and responses *individually* (not in a group). We also recommend a minimum of five days for the critique and response period (discussion board) to allow students time to reflect and respond to their classmates. Instructors should monitor the critique process to prevent discussions from derailing and becoming ineffective. Additionally, instructors should critique the emails to enhance learning and increase reflection (see Appendix D for an example). It is imperative students understand that critiques must offer advice that improves emails and responses that can be met with constructive disagreement—another use of soft skills. Discussion posts that simply agree or disagree with everything do not enhance collaborative or individual learning. Students should be made aware that the thoughtfulness and constructiveness of their critiques and responses will impact their grade at the beginning of the case/exercise.

Grading

Instructors may be hesitant about teaching soft skills because outcomes are difficult to measure, which means that the development and application of a grading rubric can require a significant investment of time (Liu, Xu, & Krahel, 2019; Mintz & Morris, 2013). Using DC Principles alleviates these concerns by providing a semi-structured checklist of principles that can be utilized, evaluated, and measured (England et al., 2020). Harvard Dataverse (2020) provides a rubric instructors can use for grading. To make instructor expectations clear, we recommend providing students with the rubric at the beginning of the case/exercise (Liu, Xu, & Krahel, 2019). Finally, Appendix E includes specific teaching notes and model answers for each of our three scenarios.

Evidence of Efficacy

Our framework was administered using the authors' hypothetical scenarios over multiple semesters to students at three universities in financial accounting, auditing, and taxation courses. We utilized pre- and post-exercise surveys to provide data about the extent to which the exercises accomplished the learning objectives. The surveys included questions to assess students' knowledge of accounting ethics rules, relevant authoritative rules and standards (tax law, auditing standards, or accounting principles) as well as several questions designed to capture their level of self-efficacy and confidence to confront ethical conflicts (an important component of moral courage). An 11-point scale (0 = I don't understand/No confidence; 10 = Fully understand/Highly confident) was used. A total of 220 students completed the pre-assessment and 25 students did not complete the post-assessment, resulting in 195 participants.

Prior to the exercise, we expected students' knowledge of accounting ethics rules and principles to be mostly limited to the information provided in textbooks and/or lectures. While we expected students to have little exposure to DC Principles before the exercise, we did segregate those students with prior exposure in our analyses. We anticipated the exercise would not only increase the students' knowledge of the accounting ethics rules but also increase their confidence (an important component of moral courage) when dealing with an ethical situation.

Table 1 presents the univariate statistics for all questions relating to students' understanding of accounting ethics rules and principles for each case. As indicated in Table 1, students' self-assessed knowledge significantly increased for each question ($p < 0.01$). Auditing students felt the exercise enhanced their understanding of the AICPA Code of Conduct of Professional Conduct (post-mean of 8.22), increased their understanding of the AICPA Code of Conduct of Professional Conduct's Integrity and Objectivity Rule (post-mean of 8.54), and increased their understanding of the AICPA Code of Conduct of Professional Conduct's Independence Rule (post-mean of 8.82). The students also felt the exercise enhanced their understanding of the PCAOB Auditing Standards - AS 1015 over Due Professional Care in the Performance of Work (post-mean of 8.32).

As indicated in Table 1, financial accounting students felt the exercise enhanced their understanding of the AICPA Code of Conduct of Professional Conduct (post-mean of 7.69), increased their understanding of the AICPA Code of Conduct of Professional Conduct's Conflicts of Interest for Members in Public Practice Rule (post-mean of 7.67), and increased their understanding of the AICPA Code of Conduct of Professional Conduct's Ethical Conflicts Rule (post-mean of 7.94). The students also felt the exercise enhanced their understanding of ASC 450-20-25-1 and 2 regarding contingencies (post-mean of 8.09).

As indicated in Table 1, tax students felt the exercise enhanced their understanding of the AICPA Code of Conduct of Professional Conduct (post-mean of 8.33), increased their understanding of the AICPA Code of Conduct of Professional Conduct's Confidential Client Information Rule (post-mean of 8.79), and increased their understanding of the AICPA Code of Professional Conduct's Disclosing Information to Clients Rule (post-mean of 9.03). The students also felt the exercise enhanced their understanding of the Internal Revenue Code's rules and sanctions (post-mean of 8.51).

Tables 2 and 3 present the univariate statistics for all questions regarding students' confidence to identify ethical issues (a dimension of self-efficacy) and confidence to resolve ethical conflicts (an important component of moral courage). Table 2 presents those students who did not have any prior experience with DC Principles, where Table 3 presents those students who did have prior experience with DC Principles. As indicated in Table 2 and 3, all students felt the exercise increased confidence in their ability to respond to a work-related conflict (post-mean for students without experience of 8.58; with experience of 8.73), increased the likelihood that they would recognize an ethical issue (post-mean for students without experience of 4.30; with experience of 4.35), and increased the likelihood that they would take action to resolve an ethical issue (post-mean for students without experience of 4.14; with experience of 4.29). Univariate tests of the students' responses (for all cases combined) showed that students' self-assessed confidence (self-efficacy) significantly increased for each question ($p < 0.01$ & $p < 0.05$), except for Question 25 in Table 3 ($p < 0.10$).

The results in Tables 2 and 3 are of particular importance as they indicate the exercises had the desired effect of increasing both the self-efficacy and confidence (an important component of moral courage) of participating students and, in turn, suggest that simultaneously teaching soft skills with ethics can provide skills to help students take ethical action and reduce the judgement-action gap. Moreover, the results in Table 3 suggest students benefit from repeated exposure to soft skills assignments, which is consistent with our approach to creating exercises for multiple core accounting topics.

Summary and Conclusions

While accounting professionals and accrediting bodies continue to demand more meaningful soft skills and ethics education, instructors have concerns utilizing scarce instructional time to teach such topics. In this paper, we provide an innovative and efficient framework to simultaneously teach soft skills, ethics, and business communications to reduce demand on constrained instructional hours. Our framework can be an add-on to existing cases/exercises, or it can be utilized with the various hypothetical scenarios provided with this paper. The framework is designed to be completely implemented within a learning management system (outside of classroom hours) but is flexible enough to be utilized in a face-to-face environment as well. Additionally, we provide resources to assist instructors with teaching soft skills and grading the related assignments.

Our framework allows instructors to advance ethics education beyond just determining the appropriate ethical decision. It allows students to develop methods of putting their decisions into action. Our results indicate the framework is successful in increasing students' ethical reasoning, self-efficacy, and confidence (an important component of moral courage). By integrating soft skills strategies with ethical reasoning, instructors can improve the effectiveness of ethics education, and in so doing, they can increase the likelihood that new accountants will act to curb unethical behavior and narrow the judgment-action gap.

Our approach does have some limitations. First, while we have tried to emulate the real business world, it is virtually

impossible to create the real-world stress and anxiety caused by personal costs of job security and reputation in an academic environment. However, exposing students to soft skills strategies allows them to enhance interpersonal skills required to be successful at work and in their personal lives. Second, the increase in self-efficacy and confidence observed in students may be transitory if the use of soft skills is not reinforced and practiced going forward, as is true for any skills students are taught.

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Appendix A: Framework Instructions

The following instructions can be provided to students when implementing our framework. They can be used with the hypothetical scenarios provided by the authors (see Appendix B) or added to existing cases/exercises utilized by the instructor.

Student Instructions

The purpose of this exercise is to develop your soft skills (e.g., awareness, collaboration, communication, creativity, empathy, listening, relationship building, and teamwork) and ethical reasoning. By so doing, your self-efficacy (the belief that you can accomplish a task successfully) and courage to confront and resolve ethical conflicts (i.e., take ethical action) in real-life situations should increase. As such, this exercise has three learning objectives: (a) to provide you the opportunity to identify an ethical problem and develop an appropriate action in response, (b) to provide you a framework to develop soft skills necessary to increase your self-efficacy and moral courage to confront ethical problems, and (c) to provide you an opportunity to practice using these soft skills by working collaboratively to develop a written communication that puts your proposed action into practice.

Accounting is a complex profession governed by many rules promulgated by multiple organizations (SEC, FASB, IRS, PCAOB, etc.). In addition, CPAs are governed by ethical rules established by The American Institute of Certified Public Accountants [AICPA], known as the Code of Professional Conduct, that require strict adherence to keep your CPA license in good standing. Included in these rules is the subordination of judgment rule, which requires you to challenge unethical conduct—even if the conflict is with your boss—and prevents you from hiding under the veil of your boss' orders. There may be times in your career where your boss will propose an unethical action that forces you to choose between either being complicit with the unethical action or adhering to the ethical rules and challenging it.

Challenging the unethical action potentially creates external conflict (with your boss) and internal conflict (within yourself). You may be understandably concerned about communicating with your boss about ethical disagreements because such actions may have extreme personal costs to your job and career. Nonetheless, as a CPA, you have an obligation to challenge unethical actions and, if not satisfactorily resolved, to resign.

Therefore, it is very important that you can not only recognize an unethical action in the workplace but be prepared to address it in a manner that minimizes any negative effects. This requires you to develop your soft skills⁵ and use them to improve your communication and collaboration to resolve ethical conflicts. This exercise is designed to help you with this.

In the assigned case scenario (*or case/exercise*), assume you are a recently licensed CPA in a staff (or senior) accountant position, and your boss is proposing the unethical action. You will analyze and identify the unethical action by reviewing various ethical rules and compose an email that attempts to resolve the issue with your boss. In your email, you will use Dale Carnegie's 30 Human Relations Principles (DC Principles) as the soft skills approach to aid in the resolution of the conflict and to reduce (or hopefully eliminate) the risk of losing your job.

Step 1: Review professional standards and ethical rules. The AICPA Code of Professional Conduct is what sets CPAs apart from non-certified colleagues. It applies to all AICPA members whether employed in business, public practice, government, or academia and is incorporated by most states as the basis of their ethical code for CPAs. Additionally, professional conduct in providing various accounting services (whether certified or not) is governed by federal and state governments. Review the various ethical rules listed below and determine why your boss' proposed actions are unethical (see Appendix B for the rules incorporated into the authors' scenarios).

⁵ Soft skills are interpersonal qualities (people/human skills) that emphasize awareness, collaboration, communication, creativity, empathy, listening, relationship building, and teamwork (England et al., 2020; Tanner, 2019).

Step 2: Take the pre-assessment. Take Dale Carnegie’s Assessment on Communicating with Diplomacy (Dale Carnegie & Associates, 2017)⁶ to determine your level of diplomacy when communicating with others. The results from this assessment, which will not be included in your grade, should help establish awareness of your current level of soft skills before engaging in the remainder of the exercise.

Step 3: Learn about soft skills by reviewing Dale Carnegie’s 30 Human Relations Principles (DC Principles). DC Principles are a checklist of soft skills and communication strategies (see Appendix C) that have been widely adopted and highly acclaimed over the almost 100 years since they first appeared in Dale Carnegie’s book, “How to Win Friends and Influence People” (Carnegie, 1981). While not limited to use in business, these principles have been widely used by business leaders, many of whom credit much of their success in the business world to the use of these principles. Review the following materials, posted in the LMS, to learn about the 30 DC Principles:

- a. List of Dale Carnegie’s 30 Human Relations Principles (see Appendix C).
- b. Videos: BBC Presents Warren Buffett on Dale Carnegie Training (Dale Carnegie, 2009); Dale Carnegie Principles (Hollywood, 2013); and How to Win Friends and Influence People – Book Summaries (Carmichael, 2019; Kegley, 2016).

Step 4: Review the AICPA’s Ethics Decision Tree for CPAs in Business. Use the URL link below to access the AICPA’s Ethics Decision Tree for CPAs in Business (AICPA, 2015).⁷ While reviewing the decision tree, pay close attention to Section 2.130.020, Subordination of Judgment, and consider your obligations as a newly licensed CPA to resolve ethical conflicts with your boss.

Step 5: Team assignment: Draft an email to your boss. This exercise requires that you work collaboratively with your *team* to compose an email to your boss expressing your ethical concerns and attempt to persuade him/her to take ethical actions. Your ability to address these concerns via email is important because using email allows you to maintain documentation of ethical conflicts as recommended by the AICPA, and because email is often the primary method of communication with your boss that is readily available.

In your email, use the DC Principles as the underlying soft skills framework to help you develop a constructive approach to resolving the conflict. Use these principles to enhance your diplomacy and gain the cooperation of your boss. Your *team* is not required to use all 30 DC Principles—select the ones you feel are the most effective for the situation. At the end of each sentence where a DC Principle is used, insert a footnote that explains which principle your *team* is utilizing.

In your *team* email, use and cite the relevant ethical authorities provided in Step 1 that form the basis of your arguments and analyses. Keep in mind your boss receives hundreds of emails each day. Therefore, your *team*’s email should be concise and contain the most relevant information. Finally, post your *team*’s email to the discussion board within the LMS by the instructor’s deadline.

Step 6: Individual assignment: Critiques and responses. *Individually*, critique at least two emails posted by other teams and post them to the discussion board within the LMS by the instructor’s deadline. Each critique must address both the ethical analyses and the appropriate application of the DC Principles. Then, *individually* respond (via the discussion board) to critiques provided by the instructor and classmates to your team’s email by the instructor’s deadline. The goal is to be constructive, so be sure to follow the DC Principles in your interactions with your peers, including the first DC Principle: Do not criticize, condemn, or complain. This is a class discussion, which means *you*

⁶ Students can download a free copy at <https://www.dalecarnegie.com/en/resources/communicate-with-diplomacy-and-tact>. However, we contacted our Dale Carnegie Area Trainer, and he provided the pdf for all students to use. We recommend incorporating this assessment within the LMS. Additionally, we do not recommend including this in the student’s grade for the assignment because it is only intended as a tool to help them understand their current level of soft skills and diplomacy.

⁷ The URL is

<https://us.aicpa.org/content/dam/aicpa/interestareas/professionalethics/resources/ethicsenforcement/downloadabledocuments/ethics-decision-tree-business.pdf>. We suggest creating an automatic link within the LMS.

are required to actively comment throughout the discussion period. You should also ask intriguing questions for your instructors and classmates to answer.

Step 7: Team assignment: Revise your email. After evaluating critiques of your *team's* email and applying what you learned from the discussion, as a *team* revise your email and submit a final version to the assignment drop box within the LMS by the instructor's deadline. At the end of each sentence where a DC Principle is used, insert a footnote that explains which principle your *team* is utilizing.

Appendix B: Hypothetical Scenarios

Tricky Ricky Trucking (financial accounting scenario)

Tricky Ricky Trucking has been safely hauling lumber to communities throughout the United States for over 30 years. The company employs approximately 500 full-time truckers and 200 office staff and has built an impeccable reputation in the industry. Ownership focuses not only on the safe transport of lumber but also on driver training, development of best practices, and investing in technologies that allow for continual improvement in the office and on the road. The CEO, Phillip Fixit, has been running the company for two years and has exciting new ideas to grow and diversify the company.

Throughout its history, the company has focused on the transportation of timber. Phillip, a new CEO, recognizes the need for expansion into additional and more diversified revenue sources and believes that a new revenue stream would result in growth opportunities and increased profits. Phillip has been conducting market research and has determined the food transportation industry is a prime market for growth potential and high profits. Phillip realizes that to secure contracts with grocery chains throughout the country, a significant investment in a new fleet of trucks equipped to transport perishable food items will be necessary. As a result, Phillip has been working tirelessly for the last several months attempting to arrange financing to fund the acquisition of these trucks.

On September 6th of the current year, a huge storm in Georgia caused extremely dangerous driving conditions on Interstate 20. The storm hit quickly and resulted in several accidents. One of Tricky Ricky's drivers, Law Braker, was on I-20 when the storm hit and was involved in a collision. Law was traveling in the right lane driving at 60 mph based on monitoring devices installed on the truck. At approximately 2:00 pm, a Ford F-250 abruptly changed lanes and slammed on its breaks in front of Law to avoid missing its exit off the interstate. To avoid a collision, Law applied the brakes and attempted to change lanes. Unfortunately, the truck hydroplaned and the lack of traction made steering and braking impossible. He collided with another car in the left lane and ultimately jack-knifed the truck across the two-lane road heading East on I-20. A 10-car pileup ensued, and while no fatalities were reported, several life-threatening injuries were sustained.

By November, one of the injured parties filed suit against Tricky Ricky Trucking for driver negligence in the accident and is seeking \$10 million in damages for bodily injury, emotional distress, and property damage. By February of the following year, three additional parties filed suit against Tricky Ricky Trucking in connection with the accident with each seeking similar damages.

You are a newly hired, licensed CPA working directly under the direction and authority of Phillip Fixit. You are aware, after careful review, that legal counsel has indicated the probable loss in connection with this accident is estimated to be between \$12 million and \$22 million, with \$16 million being the most likely amount within this range. Based on your understanding of US generally accepted accounting principles (GAAP), you have drafted an adjusting journal entry to record the loss contingency at the most likely amount as follows:

<u>Account</u>	<u>Dr.</u>	<u>Cr.</u>
Loss due to Litigation	\$16 million	
Litigation Liability		\$16 million

As required by company policy, you email this journal entry to Phillip for his approval. In this email, you include a summary of current GAAP surrounding loss contingencies and the conclusions drawn surrounding the likelihood of the loss and potential dollar amounts of the loss based on your discussions with legal counsel. You feel confident about your journal entry based on the assessment by legal counsel that the loss is probable and their ability to reasonably estimate \$16 million as the most likely amount of the loss, which in your opinion, makes the accounting required for this loss relatively straightforward.

When you arrive at work the next morning, you have an email from Phillip requesting a meeting to discuss the proposed accounting treatment and disclosure related to the accident. During the meeting, it becomes clear to you that Phillip does not agree with your proposed journal entry. Phillip indicates that while legal counsel has indicated \$16 million is the mostly likely loss amount, there is really no way to determine what will “actually happen” in the future. He reminds you the \$16 million is just an estimate. Besides, he says, legal counsel is mounting a vigorous legal defense, which could result in no liability at all. He reviews the company’s defense with you, reminding you that the accident was one of many that occurred during a bad storm and says the party truly at fault was the driver of the F-250 that cut in front of the company’s driver. Phillip is clearly upset as he points out the effect of recording such a loss on current period profits. His primary concern is the immediate effect this will have on the company’s ability to secure the financing necessary for its planned expansion into the food transportation business. You are aware Phillip has been working tirelessly on the expansion and is close to securing a financing agreement with a national lender for the new fleet of trucks. Phillip asks you to reconsider the issue including the subjectivity of estimates and to re-evaluate the facts of the accident. He has asked you to email him a new proposal for the treatment of the pending litigation based on your new review of the case.

Prior to drafting your email, please review the following ethical rules:

- a. AICPA Code of Professional Conduct: Section 1.000.020 Ethical Conflicts; Section 1.100.001 Integrity and Objectivity Rule; Section 1.110.010 Conflicts of Interest for Members in Public Practice; Section 1.130.010 Knowing Misrepresentation in the Preparation of the Financial Statements or Records; and Section 1.130.020 Subordination of Judgement (paragraph .01).
- b. FASB Codification: FASB ASC 450-20-05-10 (Types of Loss Contingencies); FASB ASC 450-20-25-1 and 2 (Recognition); and FASB ASC 450-20-30-1 and 2 (Initial Measurement).

Bearkat Builders (auditing scenario)

Bearkat Builders, a public company, is a large distributor of roofing materials in the United States. Bearkat Builders works with various retailers and manufactures to fulfill custom orders for roofing materials. It has been in operation for 10 years but is struggling against its competitors in the industry. The CEO of Bearkat Builders, William Allene, oversees the day-to-day operations at its headquarters in Houston, TX. LTKL LLP, a large public accounting firm, has been the auditor for Bearkat Builders for the last ten years and the current partner, Joseph Costello, has been overseeing the audit for the last six years. You have just been promoted to senior auditor at LTKL LLP and have been assigned to be the in-charge on the Bearkat Builders engagement. You inquire to whom you will be working with and learn that Mr. Costello is the partner on the engagement. You are excited, but slightly intimidated, because Mr. Costello has been with the firm for the past 30 years and is known for being extremely intelligent but very stern and unapproachable. You were surprised to hear that Mr. Costello is still the partner considering SOX rotation mandates, but you want to make a good impression as he will perform your evaluation, which may lead to a promotion.

As the senior on the audit engagement, you will have many duties including, gaining an understanding of the company background, assessing risks, understanding the internal controls, performing substantive procedures, and providing status updates to the manager and partner. On your first day, you have a meeting with the Carol Blumford, the manager on the Bearkat Builders engagement. She provides you with a lot of background information, planning information, materiality figures including the AMPT (audit misstatement posting threshold) of \$50,000, and informs you revenue has been a high-risk area on the audit and to have heightened professional skepticism when performing procedures over this area.

Throughout your inquiries and walkthroughs of the revenue account, you learn that due to regulations within this industry, roofing material sold to certain retailers and manufactures (customers) requires a customer acceptance provision. Products sold under contracts with customer acceptance provisions give the customers the right to return the goods if they fail to meet criteria specified by the customer. This provision requires that the customers inspect the products prior to acceptance of the goods. Bearkat Builders does have controls in place to ensure that all products sent to these customers are inspected to avoid any returns. However, under the customer acceptance provision, the title for the goods does not officially transfer until the customer has formally accepted the shipment. Throughout your review

of these retailers and manufactures who fall under these regulations, you notice that Bearkat Builders recognized revenue for a customer who has not formally accepted the goods. The company recorded revenue of \$1.75 million prior to the company providing formal acceptance. After your finding, you schedule a meeting with William Allene to discuss the terms of this transaction. He stated that they were able to formally record revenue in the current year for this customer due to their strong controls over inspection of shipped goods and historically no products have been returned showing that the goods were not defective.

Based on your understanding of US generally accepted accounting principles (GAAP) and the revenue recognition standard, ASC 606, you propose an entry to remove the revenue from the current year. Before presenting the entry to William, you want to have your manager review the information; however, Carol is not on site today. Knowing that Mr. Costello just arrived, you gather your audit workpapers and head to his office to present the adjustment. As you approach his office, you notice William is already there. You overhear William and Mr. Costello talking about their fraternity days at the University of Houston and how much fun they had last summer at their joint beach house. William then tells Mr. Costello how hard the last year has been and that they are short on their quarter-end revenue. Before you head back to your desk, you hear Mr. Costello say to William, “Don’t worry, we will take care of it.”

When you get back to the audit room, you notice Carol is on-site and explain the issue to her and the rest of the team. They agree with your assessment but give the ultimate decision to the partner. You try one more time to go and speak with Mr. Costello, and you notice he is leaving the office. You quickly try to explain the issue to him, but he says that he is late for another meeting and asks that you email him regarding the proposed adjustment.

Prior to drafting your email, please review the following ethical rules:

- a. AICPA Code of Professional Conduct; Section 1.000.020 Ethical Conflicts; Section 1.100.001 Integrity and Objectivity Rule; Section 1.110.010 Conflicts of Interest for Members in Public Practice; Section 1.200.001 Independence Rule; Section 1.130.020 Subordination of Judgement (paragraph .01); and Section 1.320.001 Accounting Principles Rule.
- b. PCAOB Ethics and Independence Rules (Section 100): ET Section 101 Independence and ET Section 102 Integrity and Objectivity.
- c. PCAOB Auditing Standards: AS Section 1005 Independence and AS Section 1015 Due Professional Care in the Performance of Work.

The Jacksons (tax scenario)

Houston & Holcomb CPAs (the “firm”) has prepared the personal and business tax returns for Jonas and Sandra Jackson for the past ten years. Both Mr. and Mrs. Jackson are highly successful businesspeople and live in a common law property state. Mr. Jackson is the sole shareholder of an excavation company and three apartment complexes, all of which are organized and taxed as S corporations. Because of his success and close ties to the local business community, he serves on the board of directors of the regional bank, the local hospital, and is the chairperson of two local charities. Mrs. Jackson is the sole owner of two businesses—a florist and a wedding planning company—both of which are organized as single-member limited liability companies (LLC) and taxed as sole proprietorships.

Both Mr. and Mrs. Jackson’s portfolio of business is assigned to one of the firm’s founding partners, Robert Holcomb, because he and Mr. Jackson were fraternity brothers in college. Moreover, due to his success and relationships with other business leaders, Mr. Jackson was able to persuade the bank, hospital, and various local charities he serves to move their business to the firm. As a result of his relationship with Mr. Jackson, Mr. Holcomb’s portfolio of business has increased 15% over the past three years.

On March 31st, Mr. Holcomb received a call from Mr. Jackson informing him that Mrs. Jackson had filed for divorce. Later that same day, Mrs. Jackson called and explained to Mr. Holcomb that the couple had decided to file separate personal tax returns for the prior tax year and would agree to allow the firm to prepare the returns because they were already substantially complete. However, she also told Mr. Holcomb she would be moving her business, 2% of Mr. Holcomb’s portfolio of business, to another accounting firm soon.

After the tax returns were filed, Mr. Holcomb received a call from Mr. Jackson expressing his outrage that Mrs. Jackson was understating the previous year's income and value of real estate owned by her wedding planning business during the divorce proceedings. Since Mr. Jackson does not have access to the business' records, he asked Mr. Holcomb for copies of business records obtained in conjunction with the preparation of the prior tax year's tax return (i.e., the year separate personal tax returns were filed) to determine whether the information reported by Mrs. Jackson was accurate. Mr. Jackson assured Mr. Holcomb that the information would only be used to determine whether he should go through the expensive process of challenging the financial figures reported by Mrs. Jackson—none of the information would be disclosed to anyone else.

You are a newly licensed CPA in the firm and work closely with Mr. Holcomb on the Jackson's account. Since your cubical is outside Mr. Holcomb's office, you overhear many of his phone calls. While Mr. Holcomb was preparing to leave for a two-week business trip abroad, you hear him discussing Mr. Jackson's request with someone on the phone. You specifically overhear Mr. Holcomb say he is concerned about losing all of Mr. Jackson's business and the business of the other organizations he represents, which comprised 17% of Mr. Holcomb's business portfolio last year. After finishing the call, Mr. Holcomb passes by your cubicle and tells you he will see you when he returns from his trip, and that he will only be available via email while he is gone.

The next day, you receive an email from Mr. Holcomb instructing you to email the prior year's trial balance and fixed asset records for Mrs. Jackson's wedding planning business to Mr. Jackson. You review the files and find no correspondence from Mrs. Jackson concerning the disclosure and release of the financial information.

Prior to drafting your email, please review the following ethical rules:

- a. AICPA Code of Professional Conduct: Section 1.100.001 Integrity and Objectivity Rule; Section 1.110.010 Conflicts of Interest for Members in Public Practice; Section 1.130.020 Subordination of Judgement (paragraph .01); Section 1.700.001 Confidential Client Information Rule; and Section 1.700.030 Disclosing Information to Clients.
- b. Treasury Department Circular No 230: Section 10.29 Conflicting Interests.
- c. Internal Revenue Code: Section 7216 (26 U.S. Code §7216). Disclosure or use of information by preparers of returns (criminal penalties); Section 6713 (26 U.S. Code § 6713). Disclosure or use of information by preparers of returns (civil penalties).

Appendix C: Dale Carnegie's 30 Human Relations Principles (refer to Carnegie [1981])

Principles 1 through 9 are about developing genuine rapport and trust with others. Trust is needed before the principles 10–30 can be applied. Principles 10 through 21 are about gaining willing cooperation. Principles 22 through 30 are about leading.

Become a Friendlier Person

1. Don't criticize, condemn or complain.
2. Give honest, sincere appreciation.
3. Arouse in the other person an eager want.
4. Become genuinely interested in other people.
5. Smile.
6. Remember that a person's name is to that person the sweetest and most important sound in any language.
7. Be a good listener. Encourage others to talk about themselves.
8. Talk in terms of the other person's interests.
9. Make the other person feel important—and do it sincerely.

Win People to Your Way of Thinking

10. The only way to get the best of an argument is to avoid it.
11. Show respect for the other person's opinion. Never say "you're wrong."
12. If you are wrong, admit it quickly and emphatically.
13. Begin in a friendly way.
14. Get the other person saying "yes, yes" immediately.
15. Let the other person do a great deal of the talking.
16. Let the other person feel the idea is his or hers.
17. Try honestly to see things from the other person's point of view.
18. Be sympathetic with the other person's ideas and desires.
19. Appeal to nobler motives.
20. Dramatize your ideas.
21. Throw down a challenge.

Be a Leader

22. Begin with praise and honest appreciation.
23. Call attention to people's mistakes indirectly.
24. Talk about your own mistakes before criticizing the other person.
25. Ask questions instead of giving direct orders.
26. Let the other person save face.
27. Praise the slightest improvement and praise every improvement. Be "hearty in your approbation and lavish in your praise."
28. Give the other person a fine reputation to live up to.
29. Use encouragement. Make the fault seem easy to correct.
30. Make the other person happy about doing the thing you suggest.

Appendix D: Student Example and Instructor's Feedback from the Audit Scenario

Below is an example of a student's initial draft email and the instructor's feedback for the Bearkat Builders (auditing scenario) case.

Initial Draft Email

Hello Mr. Costello,

I hope this email finds you well. I am very excited to join the team and learn as much from you and this team as possible. (*Become a Friendlier Person: 9*) I noticed the company had recorded revenue of \$1.75 million prior to the company providing formal acceptance. After I had spoken to William, he had informed me that they recorded revenue because of the strong controls and historically there had not been issues. Under the Revenue Recognition Standard defines a performance obligation as a promise in a contract with a customer to transfer a good or service to the customer. (*FASB ASC 606-10-25-14 through 25-22*) However, Bearkat Builders had not formally accepted the goods and the title does not transfer until they formally accept the goods. (*11. Show respect for the other person's opinions. Never say, "You're wrong."*)

With respect to that entry, I wanted to propose an entry to remove the revenue from the current year. "The revenue recognition standard states that an entity should recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer." (*FASB ASC 606-10-25-23 through 25-26*)

I noticed that you and William are both UH alum. I've been to visit UH various different times and have always had a wonderful experience on campus. (*Become a Friendlier Person: 8*) I noticed you and William were in the same frat at UH and often vacation together. (*ET Section 101 – Independence*)

Thank you,
Jane Doe

Instructor's Feedback

Excellent job on the email, and great comments from your fellow classmates! Here are some additional comments to help you with your final version of the email.

First Paragraph: Good first sentence and use of DC #9. The next sentence seems abrupt and needs some sort of introduction, etc. Perhaps start a new paragraph and begin with something like "I am writing to request clarification of a situation....." Then describe the situation.

I notice you refer to William. This is fine if you are truly on a first name basis with him. Otherwise, address him as you do your boss (Mr.). (DC #9) The third sentence needs editing. The word "had" can be omitted, expand description of "strong controls" (what strong controls) and explain the comment about "had not been issues" (with what). I suggest you propose a question or ask for clarification on what you perceive as a conflict between the Revenue Recognition standard and current accounting (DC # 25). Allow for the possibility that you might be wrong or do not have all the facts. Consider asking your boss to explain this difference. (DC #11 and 17)

Second Paragraph: Consider omitting "With respect to that entry." Begin with your proposal or suggestion. Try summarizing the revenue recognition standard in your own words rather than quoting it directly. This implies that your boss doesn't know about the revenue recognition standard. (DC #11) Consider asking his opinion about your proposed entry (DC # 16).

Third Paragraph: This paragraph doesn't seem to flow with the rest. Are you making an accusation? Parts of it sounds very friendly but then you reference independence, which makes it sound like you are questioning your

boss's independence. Be extremely careful here. You may not have all the facts or fully understand what you overheard. You must tread very lightly here.

Appendix E: Scenario Specific Teaching Notes and Model Answers

Teaching Notes for the Financial Accounting Scenario (Tricky Ricky Trucking)

1. Frequently, students draft an initial email that neglects much-needed friendly salutations, which can set a positive tone at the onset of the communication. In addition, students will abruptly identify the ethical issues and express their obligation to adhere to the ethical requirements of the profession. Bold declarations of ethical responsibility coupled with a lack of an introduction detract from and significantly reduce the likelihood of creating a positive interaction.

Students should strive to open the email with a friendlier tone and more collegial attitude to increase the probability of a positive outcome. When students opt to frame the opportunity to revisit and reevaluate the appropriate authoritative guidance as a positive, the request becomes a reflection of the commitment to excellence held by the organization. This approach softens the tone and minimizes the chance of offending the supervisor and raising their defense.

Students expressed concern over appearing weak by softening the tone. While this point is certainly valid and merits consideration, students were reminded that the purpose of the positive tone is to create an environment where both parties can interact without being defensive. The goal is to ensure the accuracy of accounting, not to make assumptions regarding the other person's intent.

Suggested DC Principles: Give honest, sincere appreciation (No. 2); begin in a friendly way (No. 14); begin with praise and honest appreciation (No. 22).

2. When addressing the issue, many students immediately provide a definitive stance that, despite the potential ramifications to the expansion efforts of Mr. Fixit and Tricky Ricky Trucking, recording the initially proposed journal entry remains the correct course of action. Students were often quick to cite their ethical obligations as a CPA and specifically identify the Code of Professional Conduct and the "Integrity and Objectivity Rule" to defend their position.

In these bold declarations of ethical obligation, students fail to recognize that Mr. Fixit never asked them to do anything unethical. He has requested that they re-evaluate the facts surrounding the accident, taking into consideration the subjectivity of the estimates and the uncertainty he believes exists in the ultimate outcome of the case. When students specifically cite the ethical obligations of the profession, they imply the CEO is asking them to behave in a manner deemed unethical. This accusation will almost certainly be considered insulting and detract from the financial reporting issue.

A best practice for students is to construct this re-evaluation of the facts as a commitment to ensuring the accuracy of reported financial information. Constructing the communication on this presumption increases the likelihood of moving forward. Accusations will rarely advance a discussion in a meaningful way and will often damage working relationships. This indirect approach will hopefully avoid an argument and give the CEO the opportunity to re-center on the initial values and mission of the company at large.

Many students attempt to communicate their thorough understanding of the rules to avoid appearing incompetent. However, carefully constructed questions will implicitly show such understanding while reducing the threat of insulting the CEO and escalating potential conflict.

Suggested DC Principles: Make the other person feel important—and do it sincerely (No. 9); the only way to get the best of an argument is to avoid it (No. 10); begin with praise and honest appreciation (No. 22); call attention to people's mistakes indirectly (No. 23); call attention to people's mistakes indirectly; ask questions instead of giving direct orders (No. 25).

3. Students frequently refer to and discuss the expansion efforts of the company. While acknowledging the larger implications of accounting for the loss contingency is certainly permissible, it is important not to equate the accounting treatment to the success of expansion efforts. The request to revisit the facts of the case should not be expressed as solely being based on a desired outcome of Mr. Fixit. This approach can be interpreted accusatory and cause Mr. Fixit to feel defensive.

Students should seek to balance both an understanding of the potential consequences of recording the loss contingency to the strategic goal of expansion, with the organization's commitment to ensuring the accuracy of financial reporting.

Suggested DC Principles: Appeal to the nobler motives (No. 10); try honestly to see things from the other person's point of view (No. 17); be sympathetic with the other person's ideas and desires (No. 18).

4. Definitive terms such as, "must," "always," and "never" are frequently used by students in communications with superiors. These absolutes can be viewed as aggressive and could imply intent that does not exist. For example, "I must inform you," suggests the superior needs to be educated because they are currently not aware of existing rules and regulations. These communication errors can alter the tone and result in offending the supervisor. These indirect insults will detract from this issue at hand and should be avoided. It is important not to let assumptions guide communications.

Students often incorporated statements which highlighted the suggested accounting treatment aligns with the initial recommendation. For example, students will include the statement, "as mentioned previously," when concluding their email. This could be interpreted as implying the CEO is in some way unable to understand or comprehend information presented. This will most likely result in Mr. Fixit feeling defensive.

Framing the opportunity to revisit the facts of the case as an effort to ensure accuracy of recording and reporting can and should be viewed as a positive. Students should avoid trying to be "right" and work towards the larger goal of ensuring accurate financial accounting and reporting.

Students can seek Mr. Fixit's counsel and advice in the event they may have overlooked something in their research of the codification. This avoids blatantly saying Mr. Fixit is wrong and opens the door for the possibility that something was missed in the second review.

Suggested DC Principles: Don't criticize, condemn, or complain (No. 1); show respect for the other person's opinion—never say "you're wrong" (No. 11); call attention to people's mistakes indirectly (No. 23); let the other person save face (No. 26).

Model Answer for the Financial Accounting Scenario (Tricky Ricky Trucking)

Good morning Mr. Fixit,⁸

Thank you for the opportunity to revisit the proposed accounting treatment surrounding the pending litigation against our company.^{9,10} I respect and appreciate your commitment to ensuring the accuracy of financial accounting and

⁸ Principle 6: Remember that a person's name is to that person the most important sound in any language.

⁹ Principle 9: Make the other person feel important, and do it sincerely.

¹⁰ Principle 22: Begin with praise and honest appreciation.

reporting, and I am thankful for the opportunity to further research the facts surrounding the case as well as the codification.^{11,12,13,14,15}

Based on my review of the communications from legal counsel, along with another review of the authoritative guidance located within the codification, the initially proposed journal entry appears to be appropriate.¹⁶ Legal counsel's designation of the loss as "probable" with a "mostly likely amount" of the loss being 16 million would necessitate an accrual for the loss in that amount according to ASC 450-20-25-1 and 450-20-30-1.

However, if you are aware of anything I might have overlooked in the codification please let me know.^{17,18} It is wonderful to work under leadership that is dedicated to getting it right.¹⁹

Sincerely,
Student

Teaching Notes for the Audit Accounting Scenario (Berkat Builders)

1. Students tend to start their email with an overwhelming number of compliments and indications of their appreciation to be working with the partner, Joseph Costello. Students use many DC principles within the first paragraph of their email, including DC 22 (begin with praise and honest appreciation). Students may feel this is an appropriate approach to make a good impression since Mr. Costello will complete the evaluation of their performance. However, the excessive praise makes the students seem obsequious.

A better approach for students to use would be to provide only one compliment to the partner or to begin the email with a friendly tone. This would create a more concise opening to the email and not give a sense that they are flattering the partner.

Suggested DC Principles: Give honest, sincere appreciation (No. 2); begin in a friendly way (No. 13).

2. Many students feel obligated to bring up the relationship Mr. Costello has with William Allene. Students tend to give the partner a compliment and then follow it with a message of concern. Students used the following terminology, "I am sure you would make the right decision" and "While I understand things may happen." In addition, students specifically cite the Code of Conduct standards related to Independence and Integrity and Objectivity. Such statements can be perceived as ignorant and disrespectful.

While it is important for the students to be aware of this close relationship, Mr. Costello has given no indication that he will falter on adhering to the standards. Students have only heard one comment made by Mr. Costello to William but tend to assume that this partner, with over 30 years of experience, will immediately make the unethical choice. It is important for students to have skepticism and gain all the relevant evidence without being accusatory.

Suggested DC Principles: Don't criticize, condemn, or complain (No. 1); try honestly to see things from the other person's point of view (No. 17); give the other person a fine reputation to live up to (No. 28).

¹¹ Principle 11: Show respect for the other person's opinion. Never say "you're wrong."

¹² Principle 26: Let the other person save face.

¹³ Principle 16: Let the other person feel the idea is his or hers

¹⁴ Principle 9: Make the other person feel important, and do so sincerely.

¹⁵ Principle 28: Give the person a fine reputation to live up to.

¹⁶ Principle 11: Show respect for the other person's opinion. Never say "you're wrong."

¹⁷ Principle 25: Ask questions instead of giving direct orders.

¹⁸ Principle 26: Let the other person save face.

¹⁹ Principle 28: Give the person a fine reputation to live up to.

3. During a meeting with William Allene, students have been provided information about the client's response to the improper revenue recognition. In the audit industry, it is imperative to follow up with the client regarding any material issues or proposed entry adjustments. Therefore, this information should be provided to Mr. Costello, as he would need all the evidence to make an informed decision on the proposed adjustment. Students tend to not include this information in the email to Mr. Costello.

While the email needs to be concise so the partner will read it in its entirety, a sentence within the email addressing this conversation would help Mr. Costello to make an informed decision. This would also show the partner that the students have exercised due professional care regarding this issue.

Suggested DC Principle: Try honestly to see things from the other person's point of view (No. 17).

4. Many students do not understand that emails need to be clear and concise, especially when the intended audience is a partner of an audit firm. The purpose of the email to Mr. Costello is to obtain his decision regarding the proposed adjustment. Students tend to provide an abundance of detail that is unnecessary because the partner has been overseeing this engagement for the past six years. This amount of detail creates a substantially long email that would most likely not be read in its entirety by Mr. Costello.

The students should be confident about the information that has been provided to them and decide on whether the revenue should be recognized or removed from Bearkat Builder's financial records. Students should provide a clear choice to the partner in a concise email. They should ask for the partner's feedback or advice, but a clear choice of action should be provided.

Suggested DC Principles: Ask questions instead of giving direct orders (No. 25); make the other person happy about doing the thing you suggest (No. 30); ask questions instead of giving direct orders (No. 25).

Model Answer for the Audit Accounting Scenario (Bearkat Builders)

Dear Mr. Costello,²⁰

I hope this email finds you well.²¹ I have enjoyed working with you on this engagement and learning from your experience.^{22,23}

Per your request, I am sending this email to address my concerns of improper revenue recognition on the Bearkat Builders engagement. There is a material misstatement of \$1.75 million due to revenue being recognized prior to the customer acceptance provision. I have spoken with William Allene regarding the issue; however, his response is that the revenue can be recognized due to strong internal controls and a history of the customer accepting Bearkat's products.²⁴

I believe an adjustment the entry to remove the revenue would accurately present the financial position of Bearkat Builders.²⁵ How would you recommend moving forward with this issue?²⁶ I would appreciate your feedback.

Sincerely,
Student

²⁰ Principle 6: Remember that a person's name is to that person the most important sound in any language.

²¹ Principle 13: Begin in a friendly way.

²² Principle 2: Give honest, sincere appreciation.

²³ Principle 28: Give the person a fine reputation to live up to.

²⁴ Principle 17: Try honestly to see things from the other person's point of view.

²⁵ Principle 30: Make the other person happy about doing the thing you suggest.

²⁶ Principle 25: Ask questions instead of giving direct orders.

Teaching Notes for the Tax Accounting Scenario (The Jacksons)

1. Students frequently open their emails and abruptly address the ethical issue. Instead, they should open their emails more softly by expressing appreciation for the opportunity to assist the partner, Mr. Holcomb. They should also express their appreciation for his trusting them with assisting the client.

Many students have concerns that adding too much flattery will detract from their message. While there is a fine line between honest appreciation and over flattery, some appreciation should be included in the opening to, hopefully, reduce the potential conflict that could ensue.

Suggested DC Principles: Give honest, sincere appreciation (No. 2); begin in a friendly way (No. 14); begin with praise and honest appreciation (No. 22).

2. When addressing the issue, many students will take a definitive stance and tell the partner they cannot complete the perceived unethical task and outline the reasons using the ethical principles. However, these students fail to identify the major assumption implicit in the case—the partner never says he does not have written consent.

A better approach is for students to explain to the partner that they reviewed the client's file and could not find written consent. At that point, they should ask the partner if their understanding of needing written consent is a correct interpretation of the ethical rules. This indirect approach will hopefully avoid the argument and give the partner the opportunity to retain respect and reverse his course of action (assuming no consent has been received). It also allows students to leave the door open to being wrong because they may not have all the facts. Moreover, it appeals to the partner's ego by giving him the opportunity to teach them.

Many students feel that not explaining their thorough understanding of the rules shows weakness and incompetence. However, carefully constructed questions will implicitly show such understanding, while reducing the threat of insulting the partner and escalating conflict.

Suggested DC Principles: Make the other person feel important—and do it sincerely (No. 9); the only way to get the best of an argument is to avoid it (No. 10); call attention to people's mistakes indirectly (No. 23); begin with praise and honest appreciation (No. 22); call attention to people's mistakes indirectly; ask questions instead of giving direct orders (No. 25).

3. Students frequently discuss and refer to the specific ethics rules being violated verbatim. This approach can be interpreted as condescending and disrespectful by the partner as it implies he needs to be taught the rules (i.e., he is ignorant). Students need to take time and reflect how they would feel if a subordinate employee used this approach with them.

Many students feel that explaining and referring to the rules specifically will show their comprehensive understanding of the rules and provide a straightforward path for the partner to understand their logic. However, these objectives can also be achieved indirectly with carefully constructed questions. Moreover, these rules are straightforward, and the partner likely knows them.

Suggested DC Principles: Try honestly to see things from the other person's point of view (No. 17); call attention to people's mistakes indirectly (No. 23).

4. Students frequently want to sympathize with the partner and mention the close friendship and economic ties he has with Mr. Jackson. However, the partner does not know anyone overheard his conversation about concerns of losing Mr. Jackson's business. Mentioning this topic implies the partner is placing his interest above the firm's, which can be very insulting and accusatory. Students should be cautioned not to mention any of the issues because they cannot prove the partner's actual motives. While this information might become important later if the

situation cannot be resolved using a more positive approach, they should be focused on softly nudging the partner to the right course of action.

Suggested DC Principle: The only way to get the best of an argument is to avoid it (No. 10).

5. Students frequently use terms throughout their emails that negatively describe the partner's behavior and suggests corrective action, (e.g., your [the partner's] behavior jeopardizes/risks the firm, you [the partner] should reconsider your actions, it would be wise to follow the ethical rules). Such statements can be perceived as demeaning and disrespectful. Remind students that it is still unknown whether the partner has the written consent or not. If he does or he has forgotten to obtain it, the student is not technically being asked to do something unethical. Also, remind students to reverse roles and ask themselves how they would feel if a subordinate made statements such as these to them. One way to address the issue is to consider asking the partner whether the student should contact Mrs. Jackson and request consent.

Suggested DC Principles: Don't criticize, condemn, or complain (No. 1); show respect for the other person's opinion—never say "you're wrong" (No. 11); call attention to people's mistakes indirectly (No. 23); use encouragement—make the fault seem easy to correct (No. 30).

Model Answer for the Tax Accounting Scenario (The Jacksons)

Good Morning Mr. Holcomb,²⁷

I hope you are enjoying your time away from the office.²⁸ I appreciate the trust and confidence you have shown by letting me assist you while you are away.²⁹ Moreover, I always learn invaluable skills while working with you.³⁰

I received your request to share Mrs. Jackson's business records with Mr. Jackson. As a couple filing separately and in the process of divorcing, is written authorization required to release confidential records?^{31, 32, 33, 34} I have reviewed Mrs. Jackson's file but could not find any written release.

I know you are very experienced in this field,³⁵ and I imagine you have had to work through some difficult situations like this before.³⁶ How do you recommend moving forward with this situation?³⁷ If we need authorization, would you like me to contact her and obtain it?^{38,39}

Cordially,
Student

²⁷ Principle 6: Remember a person's name is to that person the most important sound in any language.

²⁸ Principle 13: Begin in a friendly way.

²⁹ Principle 2: Give honest, sincere appreciation.

³⁰ Principle 9: Make the other person feel important, and do so sincerely.

³¹ Principle 25: Ask questions instead of giving direct orders.

³² Principle 23: Call attention to people's mistakes indirectly.

³³ Principle 25: Ask questions instead of giving direct orders.

³⁴ Principle 26: Let the other person save face.

³⁵ Principle 28: Give the person a fine reputation to live up to.

³⁶ Principle 9: Make the other person feel important, and do so sincerely.

³⁷ Principle 25: Ask questions instead of giving direct orders.

³⁸ Principle 14: Get the other person saying "yes, yes" immediately.

³⁹ Principle 29: Use encouragement. Make the fault seem easy to correct.

Table 1
Univariate results of students' pre and post changes in understanding of accounting ethics rules and accounting principles covered in the scenarios.

Survey Question	Audit Scenario			Financial Scenario			Tax Scenario			All Scenarios Combined		
	Pre-Mean (n = 57)	Post-Mean (n = 50)	t-statistic	Pre-Mean (n = 117)	Post-Mean (n = 106)	t-statistic	Pre-Mean (n = 46)	Post-Mean (n = 39)	t-statistic	Pre-Mean (n = 220)	Post-Mean (n = 195)	t-statistic
Q1. Rate your current understanding of the AICPA Code of Professional Conduct.	5.58	8.22	6.10***	4.87	7.69	10.41***	3.54	8.33	10.20***	4.78	7.95	15.32***
Q2. Rate your current understanding of the AICPA Code of Professional Conduct's Integrity and Objectivity Rule.	6.14	8.54	6.36***	5.52	8.13	8.62***	3.70	8.54	9.99***	5.30	8.32	13.58***
Q3. Rate your current understanding of the AICPA Code of Professional Conduct's Conflicts of Interest for Members in Public Practice Rule.	5.70	8.36	7.12***	4.94	7.67	10.02***	3.52	8.36	9.71***	4.84	7.98	14.92***
Q4. Rate your current understanding of the AICPA Code of Professional Conduct's Independence Rule.	6.63	8.82	5.36***									
Q5. Rate your current understanding of the AICPA Code of Professional Conduct's Accounting Principles Rule.	5.88	8.46	6.80***									
Q6. Rate your current understanding of the AICPA Code of Professional Conduct's Ethical Conflicts Rule.				5.13	7.94	10.26***						
Q7. Rate your current understanding of the AICPA Code of Professional Conduct's Knowing Misrepresentation in the Preparation of the Financial Statements or Records Rule.				5.47	7.97	8.87***						
Q8. Rate your current understanding of the AICPA Code of Professional Conduct's Subordination of Judgment Rule.				4.82	7.65	10.19***						
Q9. Rate your current understanding of the AICPA Code of Professional Conduct's Confidential Client Information Rule.							4.00	8.79	8.70***			
Q10. Rate your current understanding of the AICPA Code of Professional Conduct's Disclosing Information to Clients Rule.							3.72	9.03	10.54***			
Q11. Rate your current understanding of the PCAOB Auditing Standards - ET Section 101 & AS 1005 over Independence.	4.93	8.24	7.73***									

***, **, * Denote significance at the 0.01, 0.05, and 0.10 levels, respectively (two-tailed).
All questions are rated on an eleven-point sliding scale from 0 = I Don't Understand to 10 = I fully Understand.

Table 1, Continued

Survey Question	Audit Scenario			Financial Scenario			Tax Scenario			All Scenarios Combined		
	Pre-Mean (n = 57)	Post-Mean (n = 50)	t-statistic	Pre-Mean (n = 117)	Post-Mean (n = 106)	t-statistic	Pre-Mean (n = 46)	Post-Mean (n = 39)	t-statistic	Pre-Mean (n = 220)	Post-Mean (n = 195)	t-statistic
Q12. Rate your current understanding of the PCAOB Auditing Standards - ET Section 102 over Integrity and Objectivity.	4.93	8.30	7.74***									
Q13. Rate your current understanding of the PCAOB Auditing Standards - AS 1015 over Due Professional Care in the Performance of Work.	5.07	8.32	7.34***									
Q14. Rate your current understanding of the FASB Codification - FASB ASC 450-20-05-10 over Types of Loss Contingencies.				5.41	7.96	8.27***						
Q15. Rate your current understanding of the FASB Codification - FASB ASC 450-20-25-1 and 2 over Contingencies.				5.19	8.09	9.59***						
Q16. Rate your current understanding of the FASB Codification - FASB ASC 450-20-30-1 and 2 over Initial Measurement.				5.01	7.90	9.43***						
Q17. Rate your current understanding of the Treasury Department Circular No. 230, Regulations Governing Practice before the IRS, specifically Section 10.29 on Conflicting Interests.							2.74	8.23	11.11***			
Q18. Rate your current understanding of Section 7216 (26 U.S. Code §7216) - Disclosure or use of information by preparers of returns (criminal penalties).							3.33	8.51	9.61***			
Q19. Rate your current understanding of Section 6713 (26 U.S. Code § 6713) - Disclosure or use of information by preparers of returns (civil penalties).							3.17	8.51	10.01***			

***, **, * Denote significance at the 0.01, 0.05, and 0.10 levels, respectively (two-tailed).

All questions are rated on an eleven-point sliding scale from 0 = I Don't Understand to 10 = I fully Understand.

Table 2

Univariate results of students' (who had *no* previous experience with Dale Carnegie Principles) pre and post changes in confidence to identify ethical issues and courage to resolve ethical conflicts.

Survey Question	Audit Scenario			Financial Scenario			Tax Scenario			All Scenarios Combined		
	Pre-Mean (n = 57)	Post-Mean (n = 50)	t-statistic	Pre-Mean (n = 117)	Post-Mean (n = 106)	t-statistic	Pre-Mean (n = 46)	Post-Mean (n = 39)	t-statistic	Pre-Mean (n = 220)	Post-Mean (n = 195)	t-statistic
Q20. How confident are you in your ability to respond effectively when faced with a work-related conflict over an ethical issue?	7.19	8.80	5.27***	7.03	8.42	5.91***	6.96	8.74	3.90***	7.06	8.58	8.64***
Q21. How confident are you in your ability to respond effectively to a work-related conflict?	7.09	8.72	5.04***	7.29	8.52	5.64***	7.26	8.87	3.51***	7.23	8.64	8.23***
Q22. How confident are you in your ability to discuss differences of opinion in the workplace with your boss, supervisor, and/or coworkers?	7.23	8.56	4.14***	7.23	8.39	4.61***	7.37	8.69	2.87***	7.26	8.49	6.67***
Q23. What is the likelihood that you would recognize an ethical issue when it arises?	4.00	4.32	2.39**	3.78	4.26	5.26***	3.89	4.38	3.36***	3.86	4.30	6.54***
Q24. What is the likelihood that you would be able to determine the correct action to take when an ethical issue arises?	3.61	4.22	4.57***	3.56	4.08	5.00***	3.61	4.31	4.35***	3.59	4.16	7.77***
Q25. What is the likelihood that you would act to resolve an ethical issue if it meant conflict with a coworker or supervisor?	3.86	4.10	1.50	3.70	4.09	3.52***	3.85	4.33	2.75***	3.77	4.14	4.53***
Q26. If you disagreed with your boss' handling of an ethical issue, how likely would you voice your concerns directly to that boss?	3.42	3.86	2.42**	3.46	3.94	3.66***	3.65	4.23	3.20***	3.49	3.98	5.29***

***, **, * Denote significance at the 0.01, 0.05, and 0.10 levels, respectively (two-tailed).

Q20 through Q22 are rated on an eleven-point sliding scale from 0 = I Don't Understand to 10 = I fully Understand.

Q23 through Q26 are rated on a five-point Likert Scale from 1 = Unlikely to 5 = Certain.

Table 3

Univariate results of students' (who had previous experience with Dale Carnegie Principles) pre and post changes in confidence to identify ethical issues and courage to resolve ethical conflicts.

Survey Question	All Scenarios Combined		
	Pre-Mean (n = 78) ^a	Post-Mean (n = 89)	t-statistic
Q20. How confident are you in your ability to respond effectively when faced with a work-related conflict over an ethical issue?	8.05	8.73	3.21***
Q21. How confident are you in your ability to respond effectively to a work-related conflict?	8.04	8.78	3.46***
Q22. How confident are you in your ability to discuss differences of opinion in the workplace with your boss, supervisor, and/or coworkers?	7.94	8.95	4.49***
Q23. What is the likelihood that you would recognize an ethical issue when it arises?	4.09	4.35	2.82***
Q24. What is the likelihood that you would be able to determine the correct action to take when an ethical issue arises?	3.87	4.21	3.30***
Q25. What is the likelihood that you would act to resolve an ethical issue if it meant conflict with a coworker or supervisor?	4.06	4.29	1.95*
Q26. If you disagreed with your boss' handling of an ethical issue, how likely would you voice your concerns directly to that boss?	3.76	4.13	2.72***

***, **, * Denote significance at the 0.01, 0.05, and 0.10 levels, respectively (two-tailed).

Q20 through Q22 are rated on an eleven-point sliding scale from 0 = I Don't Understand to 10 = I fully Understand.

Q23 through Q26 are rated on a five-point Likert Scale from 1 = Unlikely to 5 = Certain.

^a Students who answered they were uncertain whether they had experience with Dale Carnegie Principles were excluded from the pre-case results.