

*Catholic District School Board Writing Partnership*

# Course Profile

## **Introduction to Financial Accounting**

Grade 11

University/College Preparation

BAF3M

• *for teachers by teachers*

This sample course of study was prepared for teachers to use in meeting local classroom needs, as appropriate. This is not a mandated approach to the teaching of the course. It may be used in its entirety, in part, or adapted.

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## Course Overview

### Introduction to Financial Accounting, Grade 11, University/College Preparation, BAF3M

**Curriculum Policy Document:** *The Ontario Curriculum, Grades 11 and 12, Business Studies, 2000*

## Course Description

This course introduces students to the fundamental principles and procedures of accounting, with emphasis on accounting procedures used in service and merchandising businesses. Students develop an understanding of the connections between financial analysis, control, and ethical decision making in the management of a business, as well as the effects of technology and globalization on accounting procedures and the role of the accountant.

## How This Course Supports the Ontario Catholic School Graduate Expectations

In a dynamic world where all aspects of our lives are subject to constant change, we must realize that all disciplines, including accounting, are undergoing change. As Catholic business educators, we must promote responsible stewardship of the earth by using the skills and talents that God has given us. This is an emerging concept where consideration must be given to honesty, compassion, justice, and dignity of work, rights, responsibilities, integrity, and morality in light of corporate philosophies. Our daily Catholic expectations nurture our students to read, understand, problem solve, goal set, and apply knowledge while being flexible and adaptive to the application of their accounting knowledge. To further emphasize Christian beliefs, a specific unit has been developed to encompass and integrate a decision-making framework that is moral and ethically sound in light of gospel values. Students do not merely study accounting fundamentals, but, rather, develop a holistic foundation that will better serve them in their post-secondary endeavours. At present, society is demanding that post-secondary graduates be equipped with an awareness of ethics coupled with the development of a moral conscience (i.e., ethical MBA programs, ethical mutual funds). In essence, ethical business is good business. Therefore, this gives our Catholic students the perfect opportunity to take pride in their Catholic heritage and hear the call to lead our global business in the new millennium.

## Course Notes

This course is the prerequisite for BAT4M and serves as a necessary foundation for future learning. The following activities are suggested to enhance the curriculum. In Unit 1, interest and motivation are developed through the use of community partners (guest speakers) from all three accounting designations. An integration of non-Socratic review method (i.e., Accounting Pictionary, Accounting Password, OBEA Accounting Monopoly, Accounting Jeopardy, and Who Wants to be an Accountant) is emphasized. When introducing balance sheet preparation, students prepare a balance sheet to determine either their own personal net worth and/or that of a famous person. In Unit 2, students can visit a local retail establishment or merchandising head office to get a better understanding of merchandising concepts. Unit 3 has a cooperative learning component emphasizing groups to set up a partnership with the inclusion of a general partnership agreement. The agreement includes roles and responsibilities, investments, personal drawings, division of profits, and dissolution clauses. Unit 4 includes scenarios and cases as outlined in the developed unit. Unit 5 addresses the use of technology in applying the theoretical knowledge from previous units.

Overall experience and practical accounting knowledge can be enhanced by class participation in school and community activities, such as accounting for theatrical productions, Junior Achievement Programs, sporting events, school stores, vending machines, and other related financial endeavours.

If you have adults in the classroom, the following suggestion may help. Give adult students a clear, detailed outline which gives the textbook chapter and assignment numbers at the start of the course. This allows adults with hectic schedules to work ahead in order that they can balance their school and personal lives more effectively.

Finally, in setting up classroom expectations, the teacher should consider using some of the conflict resolution strategies outlined in *Managing Conflict* (OSSTF). Students could also be exposed to these strategies and cases to assist them in their future roles as management executives in corporate Canada.

### Units: Titles and Times

Unit 1	Introduction to Accounting for a Service Business	40 hours
Unit 2	Accounting for a Merchandising Business and Introduction to Sub-ledgers	17 hours
Unit 3	Business Structures and their Accounting Implications	8 hours
* Unit 4	Ethical Practices in Accounting	12 hours
Unit 5	Technology and Financial Statement Analysis	33 hours

\* This unit is fully developed in this Course Profile.

### Unit Overviews

#### Unit 1: Introduction to Accounting for a Service Business

**Time:** 40 hours

#### Unit Description

Students are introduced to Generally Accepted Accounting Principles and their applications. Using a service business framework, students must demonstrate skill in all aspects of the accounting cycle (e.g., opening entries, journalizing, posting, trial balance, worksheet, adjustments, financial statements, and closing entries). Students are exposed to a manual system of accounting to fully understand and appreciate the complexities of a computerized accounting system. An examination of career opportunities is presented in various formats (e.g., guest speakers, videos, independent research, career education websites) to act as motivational influences in the learning process.

#### Unit Overview Chart

Act.	Time	Expectations	Assessment	Focus
1	2.5 hours	OAV.01, .02,.03, .04, FAV.01, .03, OA1.01, .02, .03, OA2.03, OA4.01, .02, .03, FA1.04; CGE1g, 4e, 4f, 4g, 5b, 5f, 5g	K/U; T/I	Careers and related regulatory bodies
2	2 hours	OAV.01, OA1.06; CGE2a, 2b, 4e, 4f, 5b, 5f, 5g	K/U; T/I; A	Introductory terms/concepts and Accounting Equation
3	3.5 hours	OAV.01, FAV.03, OA1.04, FA3.03; CGE2b, 4e, 4f, 5b, 5f, 5g	K/U; T/I; A; C	Balance Sheet: Account form and relevant GAAPs (Cost, Business Entity, Liquidity Order, Objectivity, Capitalization, Accrual Accounting, and Conservatism)
4	2 hours	OAV.01, AFV.02, OA1.05, AF2.01, .02; CGE2b, 4e, 4f, 5f, 5g	K/U; T/I; A	Transactions and GAAP (double-entry accounting)

5	4 hours	AFV.02, AF2.02, .03; CGE2b, 4e, 4f, 5f, 5g	K/U; A	T-Accounts and debit/credit theory
6	1 hour	AFV.02, AF2.03; CGE2b, 4e, 4f, 5f, 5g	K/U; A	Trial balance
7	1 hour	OAV.01, AFV.02, OA1.06, AF2.05; CGE2b, 4e, 4f, 5f, 5g	K/U; T/I; A	More GAAPs (Time Period, Materiality) and more of the accounting cycle
8	4 hours	OAV.02, OA1.04, .06; CGE2b, 4e, 4f, 4g	K/U; T/I; A; C	Income statement and relevant GAAPs (Matching, Accrual Basis, Revenue Recognition)
9	2 hours	OAV.03, AFV.02, FAV.02, OA3.01, .02, .03, AF2.03, FA2.03; CGE2b, 4e, 4f, 4g	K/U; T/I; A	Change in Equity and brief discussion on different ownership structures
10	5 hours	OAV.01, AFV.02, OA1.02, .05, AF 2.01, .02, .03, .05; CGE2b, 4e, 4f, 5b, 5f, 5g	K/U; A	Journalizing and posting to the general ledger
11	1 hour	AFV.02, AF2.03; CGE2b, 4e, 4f, 5a, 5b, 5f, 5g	T/I; A	Error locating
12	2 hours	OAV.01, OA1.05, .06; CGE2b, 4e, 4f, 5b, 5f, 5g	K/U; A	Source documents and relevant GAAPs (Reliability, Objectivity)
13	6 hours	OAV.01, AFV.02, OA1.06, AF2.04; CGE2b, 4e, 4f, 5b, 5f, 5g	K/U; T/I; A	Worksheet and adjustments
14	2 hours	OAV.01, FAV.03, OA1.04, FA3.03; CGE2b, 4e, 4f, 5b, 5f, 5g	K/U; A	Classified and report form balance sheets
15	2 hours	AFV.02, AF2.04, .05; CGE2b, 4e, 4f, 5b, 5f, 5g	K/U; A	Closing entries

K/U = Knowledge/Understanding

C = Communication

T/I = Thinking/Inquiry

A = Application

## Unit 2: Accounting for a Merchandising Business and Introduction to Sub-ledgers

**Time:** 17 hours

### Unit Description

Students are introduced to the accounting cycle for a merchandising business, including an examination of perpetual and periodic inventory systems, accounts receivable/payable subsidiary ledgers, accounting transactions, and year-end procedures specific to merchandising. Students must prepare a detailed schedule of cost of goods sold and related income statement. Students may also be introduced to the sub-ledger concept in service businesses.

### Unit Overview Chart

Act.	Time	Expectations	Assessment	Focus
1	1 hour	OAV.03, AFV.03, OA3.02, AF3.07; CGE2b, 4e, 4f, 5g	K/U; T/I	Compare/contrast merchandise and service accounting and discussion of new accounts
2	8 hours	AFV.01, .03, AF1.01, AF3.01, .02, .05; CGE2b, 4e, 4f, 5g	A; C	Cost of Goods Sold and related income statement for a periodic system
3	3 hours	OAV.01, AFV.03, OA1.06, AF3.03; CGE2b, 4e, 4f, 5g	T/I; A; C	Inventory, valuation methods, and balance sheet
4	2 hours	AFV.01, FAV.03, AF1.02, FA3.02; CGE2b, 4e, 4f, 5g	T/I; A	Use of accounts receivable, accounts payable, and sub-ledgers
5	2 hours	AFV.03, AF3.05, .06; CGE2b, 4e, 4f, 5g	K/U; T/I; A	Worksheet: adjusting and closing entries for a merchandise business
6	1 hour	AFV.01, .03, AF1.03, AF3.03; CGE2b, 4e, 4f, 5g	K/U	Perpetual inventory system and accounting for a manufacturing business

### Unit 3: Business Structures and their Accounting Implications

**Time:** 8 hours

#### Unit Description

Students examine different business structures (sole proprietorship, partnership, and corporation). The characteristics, advantages and disadvantages of each structure are described. Emphasis must be placed on legal liability issues, including a discussion of advantages/disadvantages of general vs. limited partnerships. In addition, students must be able to prepare a Statement of Partner's Equity with an understanding of how profits are shared. Finally, students identify the users of financial information (investors, government, banks) and describe how these groups use financial information.

#### Unit Overview Chart

Act.	Time	Expectations	Assessment	Focus
1	2 hours	OAV.03, OA3.01, .04, .05; CGE2b, 2c, 2d, 4e, 4f, 5f, 5g	K/U; T/I	Characteristics, advantages, and disadvantages of sole proprietorships, partnerships, corporations, and limited liability partnerships
2	5 hours	OAV.01, .03, AFV.01, OA1.06, OA3.02, .03, AF1.04, .05; CGE2b, 2c, 4b, 4e, 4f, 5f, 5g, 7e	T/I; A; C	Opening accounts, division of profits for a partnership, LLPs and their tax and liability implications, preparation of a statement of partner's equity, distribution of profit amongst partners (What is fair? How are conflicts resolved?)
3	1 hour	OAV.03, FAV.03, OA3.03, FA3.02, .03; CGE2b, 2c, 5g	K/U; T/I	Users of financial information (government, investors, banks) What information does each use and why?

## Unit 4: Ethical Practices in Accounting

Time: 12 hours

### Unit Description

This unit explores the regulatory, moral, and ethical framework within which accountants operate (*ICAO (Institute of Chartered Accountants of Ontario) Member's Handbook*, Ontario Securities Commission, *CICA Handbook*, *CA Magazine*, *Check Mark Magazine*). Students understand and apply the concept of professional judgement and rules of professional conduct. Case study analysis could be highly effective in studying potential abuses of accounting data (preparation, interpretation and opinion), internal control weaknesses, and implications of global competition. Finally, the ethical issues surrounding the establishment and operation of a partnership are examined (appointments, profit sharing, duties, obligations, and liability).

### Unit Overview Chart

Act.	Time	Expectations	Assessment	Focus
1	1.25 hours	OAV.01, .02, OA1.03, OA2.01, .02; CGE2a, 2b, 2c, 7a, 7b, 7e	K/U; T/I	What are ethics? Ethical framework and approaches
2	1.25 hours	OAV.01, .02, AFV.04, OA1.04, .05 OA2.01, .02, AF4.02; CGE1c, 3b, 3d, 4f, 4g, 5e, 7b	K/U; T/I; C	Introduction to Christian Ethical Decision-making Model for scenarios
3	3.5 hours	OAV.01, .02, FAV.01, .03, OA1.04, .06, OA2.01, .02, FA1.01, .04, .05, FA3.01, .02, .03; CGE1d, 2c, 3d, 3e, 4a, 4e, 5a, 5e, 5h, 7a, 7j	K/U; T/I; A; C	Ethical scenario study
4	1.25 hours	OAV.01, .02, AFV.04, FAV.03, OA1.04, .05, OA2.01, .02, AF4.02, FA3.01, .02, .03; CGE1c, 3b, 3d, 4f, 4g, 5e, 7b	K/U; T/I; C	Introduction to Christian Ethical Decision-making Model for cases
5	3.5 hours	OAV.01, .02, .03, AFV.01, FAV.01, .03, OA1.04, .05, .06, OA2.01, .02, OA3.03, AF1.05, FA1.04, .06, FA3.01, .02, .03; CGE1i, 2a, 2b, 2c, 3c, 3d, 3e, 3f, 4c, 4d, 4f, 4g, 5a, 5e, 5f, 5g, 7a, 7b, 7e, 7j	K/U; T/I; A; C	Case Study application and presentations
6	1.25 hours	OAV.01, .02, .03, FAV.01, .03, OA1.03, .04, .05, .06, OA2.01, .02, OA3.03, FA1.04, FA3.01, .02, .03; CGE1i, 2b, 2c, 3c, 3d, 3f, 4c, 4d, 4f, 5f, 5g, 5h	K/U; T/I; A; C	Summative evaluation (Unit test)

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## Unit 5: Technology and Financial Statement Analysis

**Time:** 33 hours

### Unit Description

Students assess the effect of technology on accounting. Through consultation with our destination partners, it is expected that accounting students be proficient in the use of computerized accounting and other business-related software (spreadsheets, database, word processor). Students complete the accounting cycle for a service business using computerized accounting software. In addition, students are exposed to merchandising, manufacturing, subsidiary ledgers, and account reconciliation within the accounting software. Technology (spreadsheets, computer-generated reports) is used to aid in financial statement interpretation and analysis. Finally, the Internet is used to identify and explore career opportunities in accounting. When exploring the Internet, the teacher refers to the school/board's Internet usage policies and circulates while students are using the Internet to ensure its proper use.

This unit may be integrated into the other units. This could serve as a change of pace for students and allow for the booking of computer lab time in more reasonable blocks. The integrative approach would necessitate the introduction of ratio analysis into the other units. The following ratios could be introduced in Unit 1: Current Ratio, Debt Ratio, Equity Ratio, Collection Period, Times Interest Earned, and Return on Equity. During Unit 2, Quick Ratio, Inventory Turnover, and Gross Profit Percentage could be introduced.

### Unit Overview Chart

Act.	Time	Expectations	Assessment	Focus
1	15 hours	AFV.01, .02, .03, .04, AF1.02, AF2.06, AF3.08, AF4.01, .02, .03; CGE2c, 2e, 3b, 4e, 4f, 5f, 5g, 7b	K/U; T/I; A	Introduction and use of accounting software and career exploration using the Internet
2	11 hours	OAV.01, FAV.02, .03, FA2.01, .02, .04, .05, FA3.01; CGE2b, 2c, 2e, 3b, 4e, 4f, 5f, 5g, 7b	T/I; C; A	Financial statement analysis and ratio calculation
3	7 hours	FAV.01, FA1.02, .03, .05; CGE2b, 2c, 2e, 3b, 4e, 4f, 5f, 5g, 7b	K/U; T/I; A	Budgeting and other data control measures

### Teaching/Learning Strategies

Because the course is dual destination, it is imperative that the teacher be equipped with a wide variety of teaching strategies. Strategies fall into three categories: teacher-centred, learner-centred, and self-directed.

#### Teacher-centred Strategies

Teacher-centred strategies are those in which the teacher directs the learning. Teacher-centred strategies have a definite place in this course as students learn to handle a broad range of topics. Teachers may find these strategies useful as ways to model how to set up notebooks or databases, to present complex concepts, or to make the best use of time.

#### Learner-centred Strategies

Learner-centred strategies, which are activity-based, provide students with opportunities to actively apply what they have learned. The expectation for the use of these teaching strategies is that students develop problem-solving as well as collaborative skills.

### Self-directed Strategies

Self-directed strategies may be used to promote independence and self-reliance. The benefits of these strategies are that students learn to take responsibility for and manage their own learning.

Teacher-centred	Learner-centred	Self-directed
<ul style="list-style-type: none"> <li>• Board work</li> <li>• Teacher-led review</li> <li>• Overhead</li> <li>• Video</li> <li>• Note-taking</li> <li>• Mnemonic (trigger recall)</li> <li>• Socratic</li> <li>• LCD Panel</li> <li>• Demonstration</li> </ul>	<ul style="list-style-type: none"> <li>• Text referencing</li> <li>• Note making</li> <li>• Collaborative technologies</li> <li>• Demonstration</li> <li>• Audio/visual</li> <li>• Visual organizers</li> <li>• Case Studies</li> <li>• Group discussion</li> <li>• On-line review activities</li> <li>• Computer lab work</li> <li>• Field trip</li> <li>• Group project</li> <li>• Peer helping</li> <li>• Guest speaker</li> <li>• Think/pair/share</li> <li>• Jigsaw</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations</li> <li>• Workbook</li> <li>• Scenarios</li> <li>• Electronic media research</li> <li>• Computer-assisted learning</li> <li>• Jigsaw</li> </ul>

### Assessment & Evaluation of Student Achievement

Teachers should employ assessment techniques frequently in order to communicate the expectations of the course to students, make appropriate adjustments to teaching/learning strategies as required, and accommodate the special needs of students. Student input to the assessment process should be welcomed and valued.

Diagnostic	Formative	Summative
<ul style="list-style-type: none"> <li>• Informal Observation</li> <li>• Checklists</li> <li>• Quizzes</li> </ul>	<ul style="list-style-type: none"> <li>• Informal and Formal Observation</li> <li>• Interviews</li> <li>• Verbal Feedback</li> <li>• Written Feedback</li> <li>• Graphic Organizers</li> <li>• Presentations</li> <li>• Individual and Group Assignments</li> <li>• Rubrics</li> </ul>	<ul style="list-style-type: none"> <li>• Assignments</li> <li>• Projects</li> <li>• Quizzes/Tests</li> <li>• Rubrics</li> </ul>

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## Evaluation

Seventy percent of the grade is based on in class assessments and evaluations conducted throughout the course. Thirty percent is based on a final summative/cumulative evaluation (which may include an exam, culminating project, or combination thereof).

### A. Ongoing Assessment and Evaluation 70%

<b>Knowledge/Understanding</b>	<b>Application/Productivity</b>	<b>Thinking/Inquiry and Problem Solving/Communication</b>
Tests and Quizzes Assignments Examinations	Daily Exercises Assignments Projects	Case Studies

### B. Final Evaluation 30%

## Accommodations

Teachers should address exceptional students using their Individual Educational Plans (IEPs) and consult with the appropriate support staff. This allows teachers to effectively implement prescribed accommodations and/or modifications. The following suggested strategies are based on different exceptionalities that could be applied throughout the various activities.

(**Note:** The *Electronic Curriculum Planner* and the *Special Education Accompaniment* are excellent resources when developing accommodations for students.)

<p style="text-align: center;"><b>Reading Difficulties</b></p> <ul style="list-style-type: none"><li>• read questions first</li><li>• adjust reading requirements</li><li>• use reading partners</li><li>• pre-teach concepts/vocabulary</li><li>• highlight notes</li><li>• provide opportunities for alternate modes of information sharing (e.g., videos, visuals)</li><li>• read instructions</li></ul>	<p style="text-align: center;"><b>Math Difficulties</b></p> <ul style="list-style-type: none"><li>• check work after each example</li><li>• relate problems to real life</li><li>• modify complexity of examples</li><li>• review daily</li><li>• teach and encourage use of diagrams</li><li>• teach use of calculator</li><li>• use hands-on manipulatives</li><li>• adjust number of problems</li><li>• provide samples for reference purposes</li></ul>
<p style="text-align: center;"><b>Memory Difficulties</b></p> <ul style="list-style-type: none"><li>• teach students to verbalize concepts</li><li>• check that daily assignments are recorded in planner</li><li>• teach strategies to handle recall questions</li><li>• ensure students write things down</li><li>• provide lists and/or flow charts</li><li>• give visual clues</li><li>• give demonstrations</li><li>• teach mnemonics</li><li>• allow student to tape lessons for more</li><li>• intensive review at a later time</li></ul>	<p style="text-align: center;"><b>Oral Language Difficulties</b></p> <ul style="list-style-type: none"><li>• provide non-threatening environments</li><li>• do not ask students to respond to questions without forewarning</li><li>• use cooperative learning</li><li>• work one-to-one</li><li>• have realistic expectations</li><li>• provide choices</li><li>• use electronic medium</li><li>• permit small groups</li></ul>

<p style="text-align: center;"><b>Motivation Difficulties</b></p> <ul style="list-style-type: none"> <li>• provide a variety of types of assignments</li> <li>• create personalized assignments</li> <li>• set realistic goals and expectations</li> <li>• avoid public confrontation</li> <li>• provide praise and positive feedback</li> <li>• be flexible with timelines</li> <li>• conference on a one-to-one basis</li> <li>• maintain contact with home</li> </ul>	<p style="text-align: center;"><b>Written Language Difficulties</b></p> <ul style="list-style-type: none"> <li>• vary assignments</li> <li>• give explicit instructions</li> <li>• allow more time</li> <li>• provide photocopied notes</li> <li>• allow point-form notes</li> <li>• don't penalize mechanics</li> <li>• use peer editing</li> <li>• teach use of spell check</li> <li>• allow assistive devices as outlined in IEP</li> <li>• provide oral discussion prior to writing</li> </ul>
<p style="text-align: center;"><b>Attention Difficulties</b></p> <ul style="list-style-type: none"> <li>• provide a variety of activities and teaching techniques</li> <li>• give blocks of information and vary the activities frequently</li> <li>• use cooperative learning</li> <li>• ask students to repeat instructions to you</li> <li>• provide immediate feedback</li> <li>• move around room</li> <li>• use visuals</li> <li>• ensure students see an end in sight</li> <li>• seat students in area of room that will minimize distractions</li> </ul>	<p style="text-align: center;"><b>ESL</b></p> <ul style="list-style-type: none"> <li>• pair or group students with English speakers</li> <li>• provide note-making guide</li> <li>• promote peer tutoring</li> <li>• encourage use of first language English dictionaries for assignments and assessment</li> <li>• pair written instructions with verbal instructions</li> <li>• provide visual and auditory clues</li> <li>• allow extra time for reading or writing assignments</li> <li>• ask an ESL/ELD teacher to review questions, assignments, or assessment instruments</li> </ul>
<p><b>Enrichment</b></p> <ul style="list-style-type: none"> <li>• independent study (e.g., research the price history of 20 Canadian Stocks and make your “buy recommendations” for the next few months)</li> <li>• cooperative education experience (e.g., placements one day per week in the accounting field)</li> <li>• Junior Achievement - Venture Program</li> <li>• Sir Wilfrid Laurier Stock Market Competition</li> <li>• Business Club/School Store – Give them General Manager Responsibilities</li> <li>• mentorship programs</li> </ul>	

## Resources

**Note:** The URLs for the websites have been verified by the writers prior to publication. Given the frequency with which these designations change, teachers should always verify the websites prior to assigning them for student use.

## Guidance and Career Education

Nelson Publishing – [www.careers.nelson.com](http://www.careers.nelson.com)

Bridges Career Planning Site – [www.cx.bridges.com](http://www.cx.bridges.com)

Monster On-line Job Classified – [www.monster.ca](http://www.monster.ca)

University related – [www.ouac.on.ca](http://www.ouac.on.ca)

College related – [www.ocas.on.ca](http://www.ocas.on.ca)

*Career Explorer, School Finder, or Education Planner Programs (See Guidance Department.)*

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## **Violence Prevention Education**

Kearns, Tim, et al. *Managing Conflict*. Toronto, ON: OSSTF, 1992. ISBN 0-920930-54-9

## **Accounting Textbooks and Workbooks**

\* No single textbook is recommended for this course.

Cougler, R., and N.J. Shoemaker. *Accounting Applications: A Systems Approach*. Toronto, ON: Nelson Publishers, 1992.

Cougler, Ron. *Introductory Accounting*, revised ed. Toronto, ON: Nelson Publishers, 1990.

D'Amico, V. and J. Magnan. *Accounting: An Introduction*. Toronto, ON: Addison Wesley, 1991.

D'Amico, V., T. Palmer, and T. D'Amico. *Principles of Accounting*, 2nd ed. Toronto, ON: Addison Wesley, 1993.

Dauderis, Henry. *Financial Accounting: An Introduction to Decision Making*, 2nd ed. Toronto, ON: Harcourt Brace Canada, 1990.

Gibson D.L. and N.J. Shoemaker. *Accounting Principles: A Skill-building Approach*. Toronto, ON: Nelson Publishers, 1992.

Kaluza, Henry J., et al. *Accounting: A Systems Approach*, 3rd ed. Toronto, ON: McGraw-Hill Ryerson, 1991.

Kaluza, H., W.G. Leonard, and J.L.K. Ambacher. *Elements of Accounting: A Senior Course*, 3rd ed. Toronto, ON: McGraw-Hill Ryerson, 1990.

Syme, G.E. and T.W. Ireland. *Accounting 1*, 5th ed. Toronto, ON: Prentice-Hall Canada, 1993.

## **Accounting Project**

*Witness Fitness Module*. CGA Association, contact: Lisa Morabito, coordinator of school programs, Tel. 416-322-6520 x257

## **Investment Resource Guide**

*Investing in Your Future*. Investor Learning Centre. Contact: 416-681-2199

## **Accounting Corporations**

Price Waterhouse Coopers – [www.pricewaterhousecoopers.com](http://www.pricewaterhousecoopers.com)

KPMG – [www.kpmg.com](http://www.kpmg.com)

Deloitte and Touche – [www.dttus.com](http://www.dttus.com)

Arthur Andersen – [www.arthurandersen.com](http://www.arthurandersen.com)

BDO Dunwoody – [www.bdo.ca](http://www.bdo.ca)

## **Accounting Associations**

Canadian General Accountants – [www.cga-canada.org](http://www.cga-canada.org)

Canadian Institute of Chartered Accountants – [www.cica.ca](http://www.cica.ca)

Canadian Management Association – [www.cma-canada.org](http://www.cma-canada.org)

## **Accounting Software**

*ACCPAC Discovery Series* (ACCPAC International)

*Simply Accounting* (ACCPAC International)

*BusinessWorks* (Sage Software)

*MYOB* (M.Y.O.B. Software)

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## Business Textbooks

Di Norcia, Vincent. *Hard Like Water: Ethics in Business*. Toronto, ON: Oxford University Press, 1998.

Kretchman, M. Lily, Lori Cranson, and Bill Jennings. *Entrepreneurship Creating a Venture*. Toronto, ON: John Wiley and Sons Canada Limited, 1991.

Murphy, Terry G., Rob Kelley, Roy McMilland, and Jack Wilson. *The World of Business: A Canadian Profile*, 3rd ed. Scarborough, ON: ITP Nelson, 1994.

Pulver, Lana Marks and Gail Raintree Kennedy. *First Class: The Original Financial Guide for High School Students*. BC: Communications Inc., 1996.

Schermerhorn, et al. *Management the Competitive Advantage*. Toronto, ON. 1995.

## Business-related Websites

Ethics, Business, and Gospel Infusion – [www.smcdsb.edu.on.ca/secondary/business/infusion.html](http://www.smcdsb.edu.on.ca/secondary/business/infusion.html)

Examples of ethics and gospel values applied to business curriculum and relevant links to other sites.

Economics for People and The Planet – [www.chebucto.ns.ca/Environment/SCN/CommLink/EPP.html](http://www.chebucto.ns.ca/Environment/SCN/CommLink/EPP.html)

Canada's SchoolNet – [www.schoolnet.ca](http://www.schoolnet.ca)

A site for teachers and students to share resources, enhance learning, develop information and technology skills, and encourage the use of technology in the classroom.

Pitscho's Ask an Expert – [www.askanexpert.com/askanexpert](http://www.askanexpert.com/askanexpert)

A site for making connections with experts. It is broken down into different categories with more than 300 websites and e-mail addresses to make it easy to use. Its directory links people who have volunteered their time to answer questions on-line.

The BizSTOP.com: Business Community –

[www.bmscentre.com/brc\\_courses/brcourses/MiniCourses/markstra/mod4/m4\\_sub3/m4\\_s1-04a.htm](http://www.bmscentre.com/brc_courses/brcourses/MiniCourses/markstra/mod4/m4_sub3/m4_s1-04a.htm)

Corporate Social Responsibility Indicators – [www.abellsgroup.com/welcome/welcome.html](http://www.abellsgroup.com/welcome/welcome.html)

Presenting Solutions – [www.presentingsolutions.com/effectivepresentations.html](http://www.presentingsolutions.com/effectivepresentations.html)

Canada One: A Canadian Business Forum – [www.canadaone.com](http://www.canadaone.com)

Research a Canadian Company – [www.fin-info.com](http://www.fin-info.com)

Canada's Information Resource Page – [www.cs.cmu.edu/Unofficial/Canadiana/](http://www.cs.cmu.edu/Unofficial/Canadiana/)

## Business Associations

Canadian Shareowners' Association – [www.shareowner.ca](http://www.shareowner.ca)

Credit Counselling Service of Ontario – [www.creditcanada.com](http://www.creditcanada.com)

Investor Learning Centre of Canada – [www.investorlearning.ca](http://www.investorlearning.ca)

Junior Achievement of Canada – [www.jacan.org](http://www.jacan.org)

Canada/Ontario Business Services – [www.cbcs.org/ontario/index.html](http://www.cbcs.org/ontario/index.html)

Ontario Ministry of Economic Development and Trade – [www.ontario-canada.com/medtt](http://www.ontario-canada.com/medtt)

## OSS Considerations

*The Ontario Curriculum, Grades 11 and 12, Business Studies*. Ministry of Education, 2000.

*The Ontario Curriculum, Grades 9 to 12, Program Planning and Assessment*. Ministry of Education, 2000.

*Ontario Secondary Schools, Grades 9 to 12, Program and Diploma Requirements*. Ministry of Education and Training, 1999.

*Ontario Catholic School Graduate Expectations*. Institute for Catholic Education.

**Note:** The students may use this course as an additional compulsory credit for diploma requirements.

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# **Coded Expectations, Introduction to Financial Accounting, Grade 11, University/College Preparation, BAF3M**

## **The Objectives of Accounting**

### **Overall Expectations**

- OAV.01** · describe the discipline of accounting and its importance for business;
- OAV.02** · demonstrate an understanding of the regulatory and ethical framework of accounting;
- OAV.03** · distinguish between the different types of business structures: sole proprietorship, partnership, and corporation;
- OAV.04** · describe professional accounting designations and career opportunities.

### **Specific Expectations**

#### **Introduction to Accounting as a Discipline**

- OA1.01** – explain the purpose of accounting;
- OA1.02** – distinguish between accounting and bookkeeping;
- OA1.03** – demonstrate an understanding of the changing role of accounting;
- OA1.04** – identify the users and uses of accounting;
- OA1.05** – demonstrate an understanding of the recording and the decision-making aspects of accounting;
- OA1.06** – explain basic concepts, procedures, and Generally Accepted Accounting Principles.

#### **Issues in Accounting**

- OA2.01** – describe the link between ethics in business and ethics in accounting;
- OA2.02** – assess the effects of current issues and developments on the accounting profession (e.g., ethical issues, technological developments, economic conditions, the globalization of business transactions);
- OA2.03** – identify three Canadian accounting organizations and describe their respective regulatory functions.

#### **Business Structures**

- OA3.01** – describe the advantages and disadvantages of three different types of businesses: sole proprietorship, partnership, and corporation;
- OA3.02** – describe the accounting systems that are appropriate for different types of businesses;
- OA3.03** – compare the responsibility of owners, shareholders, and partners in relation to the debt obligations of a business;
- OA3.04** – summarize the nature of a partnership and each partner's responsibilities;
- OA3.05** – evaluate the advantages and disadvantages of a limited partnership and a general partnership.

#### **Career Opportunities**

- OA4.01** – specify the principal specialization areas for professional accountants;
- OA4.02** – describe the business opportunities available to a professional accountant;
- OA4.03** – summarize, using electronic tools, current job advertisements that require accounting skills and training.

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## Accounting Fundamentals

### Overall Expectations

- AFV.01 · analyse the similarities and differences in the accounting procedures and principles for a service business, a merchandising business, and a manufacturing business;
- AFV.02 · apply the basic procedures and principles of the accounting cycle for a service business;
- AFV.03 · apply the basic procedures and principles of the accounting cycle for a merchandising business;
- AFV.04 · assess the impact of technology on the accounting functions in business.

### Specific Expectations

#### Accounting Procedures and Principles

- AF1.01 – describe the principal accounting elements particular to a merchandising business (e.g., accounts, journals, special journal entries, and taxes);
- AF1.02 – explain the need for special journals and subsidiary ledgers (e.g., sales and purchases journals, accounts receivable and accounts payable ledgers);
- AF1.03 – distinguish the principal accounting elements that are particular to a manufacturing business;
- AF1.04 – explain each partner’s share of equity by preparing a statement of the partner’s equity;
- AF1.05 – demonstrate how profits or losses are shared between partners (e.g., through fixed ratios, pro-rata, salaries).

#### The Accounting Cycle for a Service Business

- AF2.01 – assess the effects that transactions have on the accounts of a service business;
- AF2.02 – demonstrate how to use the debit/credit theory in recording transactions in the journals and ledgers of a service business;
- AF2.03 – demonstrate the skills necessary to prepare trial balances and financial statements for a service business;
- AF2.04 – demonstrate an understanding of year-end procedures (e.g., adjusting and closing entries) and their relation to the financial statements of a service business;
- AF2.05 – describe the steps in the accounting cycle for a fiscal period of a service business;
- AF2.06 – demonstrate the skills required to record a service company’s transactions and produce the financial statements using accounting software.

#### The Accounting Cycle for a Merchandising Business

- AF3.01 – assess the effects that transactions have on the accounts of a merchandising business;
- AF3.02 – demonstrate how to use the debit/credit theory in recording transactions in the journals and ledgers of a merchandising business;
- AF3.03 – compare the periodic and perpetual inventory systems;
- AF3.04 – demonstrate the skills necessary to prepare an income statement with a detailed Cost of Goods Sold section;
- AF3.05 – demonstrate the skills necessary to prepare trial balances and financial statements for a merchandising business;
- AF3.06 – demonstrate an understanding of year-end procedures (e.g., adjusting and closing entries) and their relation to the financial statements of a merchandising business;
- AF3.07 – describe the steps in the accounting cycle for a fiscal period of a merchandising business;
- AF3.08 – demonstrate an ability to record a merchandising company’s transactions and produce the financial statements using accounting software.

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### **The Impact of Technology**

- AF4.01** – distinguish between the steps in a computerized and a manual accounting cycle;
- AF4.02** – describe ways in which technology can affect the accounting function (e.g., the effect on the information itself, the accountant’s work, and the security of information systems);
- AF4.03** – explain the advantages and disadvantages of technology as it affects accounting in service, merchandising, and manufacturing settings.

### **Financial Analysis, Control, and Decision Making**

#### **Overall Expectations**

- FAV.01** · demonstrate an understanding of the importance of proper internal control systems to the financial management of a business;
- FAV.02** · evaluate the financial situation of a business by analysing performance measures and financial statements;
- FAV.03** · demonstrate an understanding of how accounting information is used in decision making.

#### **Specific Expectations**

##### **Financial Control Systems and Procedures**

- FA1.01** – describe the basic elements of a proper internal control system;
- FA1.02** – explain the factors that influence budgetary forecasts;
- FA1.03** – describe a budgeted income statement and a budgeted balance sheet;
- FA1.04** – describe the role and work of an auditor;
- FA1.05** – analyse the control measures used in business (e.g., petty cash procedures, bank reconciliation procedures, use of pre-numbered documents);
- FA1.06** – explain the role and function of the personnel involved in implementing a control system.

##### **Financial Analysis**

- FA2.01** – explain the importance of current assets when interpreting a balance sheet;
- FA2.02** – explain the importance of current liabilities when interpreting a balance sheet;
- FA2.03** – explain the changes that occur in equity when financial statements are prepared;
- FA2.04** – analyse a company’s liquidity, solvency, and return on investment by using comparative statements, trend analysis, and common size statements;
- FA2.05** – evaluate a company’s ability to meet its financial obligations (e.g., by analysing amounts and aging of receivables, liquid assets).

##### **Decision Making**

- FA3.01** – demonstrate an understanding of the various uses of financial data in decision making (e.g., from the potential investor standpoint, the creditor standpoint, and the management standpoint);
- FA3.02** – describe how accounting information is used by company personnel (e.g., department managers, owners);
- FA3.03** – describe how accounting information is used by outsiders (e.g., governments, investors, and banks).

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## Ontario Catholic School Graduate Expectations

The graduate is expected to be:

**A Discerning Believer Formed in the Catholic Faith Community** who

- CGE1a** -illustrates a basic understanding of the **saving story** of our Christian faith;
- CGE1b** -participates in the **sacramental life** of the church and demonstrates an understanding of the centrality of the Eucharist to our Catholic story;
- CGE1c** -actively reflects on **God’s Word** as communicated through the Hebrew and Christian scriptures;
- CGE1d** -develops attitudes and values founded on Catholic **social teaching** and acts to promote social responsibility, human solidarity and the common good;
- CGE1e** -speaks the **language of life**... “recognizing that life is an unearned gift and that a person entrusted with life does not own it but that one is called to protect and cherish it.” (Witnesses to Faith)
- CGE1f** -seeks intimacy with God and celebrates **communion** with God, others and creation through prayer and worship;
- CGE1g** -understands that one’s purpose or **call in life** comes from God and strives to discern and live out this call throughout life’s journey;
- CGE1h** -respects the **faith traditions**, world religions and the life-journeys of **all people of good will**;
- CGE1i** -integrates faith with life;
- CGE1j** -recognizes that “sin, human weakness, conflict and forgiveness are part of the human journey” and that the cross, the ultimate sign of forgiveness is at the heart of **redemption**. (Witnesses to Faith)

**An Effective Communicator** who

- CGE2a** -listens actively and critically to understand and learn in light of gospel values;
- CGE2b** -reads, understands and uses written materials effectively;
- CGE2c** -presents information and ideas clearly and honestly and with sensitivity to others;
- CGE2d** -writes and speaks fluently one or both of Canada’s official languages;
- CGE2e** -uses and integrates the Catholic faith tradition, in the critical analysis of the arts, media, technology and information systems to enhance the quality of life.

**A Reflective and Creative Thinker** who

- CGE3a** -recognizes there is more grace in our world than sin and that hope is essential in facing all challenges;
- CGE3b** -creates, adapts, evaluates new ideas in light of the common good;
- CGE3c** -thinks reflectively and creatively to evaluate situations and solve problems;
- CGE3d** -makes decisions in light of gospel values with an informed moral conscience;
- CGE3e** -adopts a holistic approach to life by integrating learning from various subject areas and experience;
- CGE3f** -examines, evaluates and applies knowledge of interdependent systems (physical, political, ethical, socio-economic and ecological) for the development of a just and compassionate society.

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**A Self-Directed, Responsible, Life Long Learner** who

- CGE4a** -demonstrates a confident and positive sense of self and respect for the dignity and welfare of others;
- CGE4b** -demonstrates flexibility and adaptability;
- CGE4c** -takes initiative and demonstrates Christian leadership;
- CGE4d** -responds to, manages and constructively influences change in a discerning manner;
- CGE4e** -sets appropriate goals and priorities in school, work and personal life;
- CGE4f** -applies effective communication, decision-making, problem-solving, time and resource management skills;
- CGE4g** -examines and reflects on one's personal values, abilities and aspirations influencing life's choices and opportunities;
- CGE4h** -participates in leisure and fitness activities for a balanced and healthy lifestyle.

**A Collaborative Contributor** who

- CGE5a** -works effectively as an interdependent team member;
- CGE5b** -thinks critically about the meaning and purpose of work;
- CGE5c** -develops one's God-given potential and makes a meaningful contribution to society;
- CGE5d** -finds meaning, dignity, fulfillment and vocation in work which contributes to the common good;
- CGE5e** -respects the rights, responsibilities and contributions of self and others;
- CGE5f** -exercises Christian leadership in the achievement of individual and group goals;
- CGE5g** -achieves excellence, originality, and integrity in one's own work and supports these qualities in the work of others;
- CGE5h** -applies skills for employability, self-employment and entrepreneurship relative to Christian vocation.

**A Caring Family Member** who

- CGE6a** -relates to family members in a loving, compassionate and respectful manner;
- CGE6b** -recognizes human intimacy and sexuality as God given gifts, to be used as the creator intended;
- CGE6c** -values and honours the important role of the family in society;
- CGE6d** -values and nurtures opportunities for family prayer;
- CGE6e** -ministers to the family, school, parish, and wider community through service.

**A Responsible Citizen** who

- CGE7a** -acts morally and legally as a person formed in Catholic traditions;
- CGE7b** -accepts accountability for one's own actions;
- CGE7c** -seeks and grants forgiveness;
- CGE7d** -promotes the sacredness of life;
- CGE7e** -witnesses Catholic social teaching by promoting equality, democracy, and solidarity for a just, peaceful and compassionate society;
- CGE7f** -respects and affirms the diversity and interdependence of the world's peoples and cultures;
- CGE7g** -respects and understands the history, cultural heritage and pluralism of today's contemporary society;
- CGE7h** -exercises the rights and responsibilities of Canadian citizenship;
- CGE7i** -respects the environment and uses resources wisely;
- CGE7j** -contributes to the common good.

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## Unit 4: Ethical Practices in Accounting

**Time:** 12 hours

### Unit Description

Students explore the regulatory, moral, and ethical framework within which accountants operate (*ICAO Member's Handbook*, Ontario Securities Commission, *CICA Handbook*, *CA Magazine*, *Check Mark Magazine*). Students understand and apply the concept of professional judgement and rules of professional conduct. Case study analysis could be highly effective in studying potential abuses of accounting data (preparation, interpretation, and opinion), internal control weaknesses, and implications of global competition. Finally, ethical issues surrounding the establishment and operation of a partnership are examined (appointments, profit sharing, duties, obligations, and liability).

### Unit Synopsis Chart

Activity	Time	Expectations	Assessment	Tasks
4.1: Ethical Framework	1.25 hours	OAV.01, .02, OA1.03, OA2.01, .02; CGE2a, 2b, 2c, 7a, 7b, 7e	T/I; K/U	Socratic delivery, note taking, and discussion
4.2: Introduction to Christian Ethical Decision-making Model for Scenarios	1.25 hours	OAV.01, .02, AFV.04, OA1.04, .05 OA2.01, .02, AF4.02; CGE1c, 3b, 3d, 4f, 4g, 5e, 7b	K/U; T/I; C	Socratic, idea generation, student-driven model development
4.3: Ethical Scenario Study (Appendix 1)	3.5 hours	OAV.01, .02, FAV.01, .03, OA1.04, .06, OA2.01, .02, FA1.01, .04, .05, FA3.01, .02, .03; CGE1d, 2c, 3d, 3e, 4a, 4e, 5a, 5e, 5h, 7a, 7j	K/U; T/I; A; C	Think/pair/share problem solving
4.4: Introduction to Christian Ethical Decision-making Model for Cases (Appendix 2)	1.25 hours	OAV.01, .02, AFV.04, FAV.03, OA1.04, .05, OA2.01, .02, AF4.02, FA3.01, .02, .03; CGE1c, 3b, 3d, 4f, 4g, 5e, 7b	K/U; T/I; C	Socratic, idea generation, student-driven model development
4.5: Case Study Application and Presentations (Appendix 3)	3.5 hours	OAV.01, .02, .03, AFV.01, FAV.01, .03, OA1.04, .05, .06, OA2.01, .02, OA3.03, AF1.05, FA1.04, .06, FA3.01, .02, .03; CGE1i, 2a, 2b, 2c, 3c, 3d, 3e, 3f, 4c, 4d, 4f, 4g, 5a, 5e, 5f, 5g, 7a, 7b, 7e, 7j	K/U; T/I; A; C	Independent and group case analysis, peer instruction, and presentation
4.6: Summative Evaluation Unit Test (Appendix 4)	1.25 hours	OAV.01, .02, .03, FAV.01, .03, OA1.03, .04, .05, .06, OA2.01, .02, OA3.03, FA1.04, FA3.01, .02, .03; CGE1i, 2b, 2c, 3c, 3d, 3f, 4c, 4d, 4f, 5f, 5g, 5h	K/U; T/I; A; C	Trigger recall, application, and analysis

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## Activity 4.1: Ethical Framework

**Time:** 75 minutes

### Description

Students are introduced to the significance of ethics and ethical behaviour. Approaches to ethical behaviour are presented along with a rationale for why businesses are behaving more ethically in the global marketplace. The issue of “What is an ethical dilemma?” is addressed. The ICAO Code of Conduct is introduced as a behavioural guideline for professional accountants as well as accounting students.

### Strand(s) & Learning Expectations

**Strand(s):** The Objectives of Accounting

#### Ontario Catholic School Graduate Expectations

CGE2a - listens actively and critically to understand and learn in light of gospel values;

CGE2b - reads, understands, and uses written materials effectively;

CGE2c - presents information and ideas clearly and honestly and with sensitivity to others;

CGE7a - acts morally and legally as a person formed in Catholic traditions;

CGE7b - accepts accountability for one’s own actions;

CGE7e - witnesses Catholic social teaching by promoting equality, democracy, and solidarity for a just, peaceful, and compassionate society.

#### Overall Expectations

OAV.01 - describe the discipline of accounting and its importance for business;

OAV.02 - demonstrate an understanding of the regulatory and ethical framework of accounting.

#### Specific Expectations

OA1.03 - understanding of the changing role of accounting;

OA2.01 - describe the link between ethics in business and ethics in accounting;

OA2.02 - assess the effects of current issues and developments on the accounting profession.

### Planning Notes

- The teacher can take these notes and copy them onto an overhead transparency

#### Business Ethics

*Ethics defined* - moral principles; rules of conduct in a particular group/culture; values relating to human conduct; right, wrong, good, bad

*Ethical Behaviour* is Legal behaviour with implications from a variety of variables including the individual, social, and corporate priorities.

*Ethical dilemmas* - situations faced by managers every day

- choice between alternatives in a situation that may result in personal/organizational benefit or may minimize losses to “save face”.

*Why should managers/accountants behave ethically?*

- it is required by the accounting governing bodies and practising professionals could lose their licence if they behave unethically (See ICAO Summary.)
- new societal push for corporate responsibility in this information age (Ethical MBA programs already exist in the USA; Canada will soon follow suit.)
- lawsuits when you do wrong
- long-run profit can be sustained
- improved public image
- better overall environment for all to enjoy

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- government and professional regulation will not need to increase
  - employee/community pride will increase (less employee turnover)
  - finally and perhaps most importantly: AS CHRISTIANS WE ARE CALLED TO DO UNTO OTHERS AS WE WOULD LIKE OTHERS TO DO UNTO US.

### **A Summary of Basic Terms, Rules, and Principles Outlined in the ICAO Member's Handbook**

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DEFINITION OF PROFESSION – To be considered a profession, the elements must be present:

- mastery of skills through lengthy education and training;
- applying skills on behalf of others for compensation;
- deals with the application of a service, not a provision of goods;
- an expectation that practitioners will be objective;
- practitioner cannot personally benefit from any work performed;
- qualification requirements, checks of competence, and assurance of correct application of standards and skills;
- an existence of a code of conduct and enforcement in order to protect the public;
- a professional commitment to life-long education and training;
- a personal commitment to sharing advances in knowledge with fellow practitioners.

As such, the accounting occupation fits all the categories of profession.

ICAO “Fundamental Behaviour Principles” for Chartered Accountants and students – Members will:

- conduct themselves and maintain the good reputation of the profession and protect interest of public;
- perform their work with integrity and care;
- keep their skills and knowledge up to date;
- not accept compensation for referral of business from one client to another;
- not perform audits and review engagements when an outside person would reasonably think that you may have a conflict of interest;
- not use information obtained in their work for personal gain;
- not discuss client information with anyone unrelated to the job you are working on and especially not with others outside the firm;
- when looking for clients, only advertise what services they offer and what expertise they have;
- not actively solicit clients from other members and not pay referral fees;
- treat other members with courtesy and respect in the way that they themselves wish to be treated;
- be responsible for all associated with them and ensure that they also abide by ICAO rules of conduct;
- abide by the rules of the profession for the part of the world in which they are living; however, they must not bring disrepute to the profession in any way when working in another part of the world;
- handle monies held in trust in a separate bank account from that of the operations of the firm;
- use a form of ownership for their accounting firm, either sole proprietorship, partnership, or LLP.

ICAO “General Rules” – Members can be charged with professional misconduct if they:

- are convicted of criminal or other similar offences;
- have pleaded guilty or found guilty of a criminal offence;
- have signed any false or misleading document;
- don't “promptly” reply to ICAO letters.

In any of these cases, violation of rules of conduct will be reviewed by the ICAO when they receive report of the incident. A committee from the ICAO will be put together to hear the case. If found guilty of misconduct, the member will be fined, licence suspended or revoked, and the name and details of the misconduct will be published in the ICAO Check Mark publication mailed to all ICAO members.

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## Teaching/Learning Strategies

1. The teacher begins by defining decision making.
2. As a class, students generate a list of major decisions that they will have to make during their life.
3. The teacher leads a class discussion on factors that influence responses to the above major decisions, focussing on distinguishing between good and bad influences. This should include a focus on how these apply to accounting practice.
4. Teacher-led brainstorming on developing a group definition of morals, ethics, laws, and rules.
5. From these terms, the teacher leads into a Socratic lecture regarding the notes given in Planning Notes.
6. At this point, the teacher provides a hypothetical life dilemma that students will have to solve and justify their approach.

## Assessment & Evaluation of Student Achievement

- Students submit their solution to the life dilemma. This activity is a pre-assessment strategy for the unit and focuses on the Thinking/Inquiry Achievement Chart category.
- The unit test culminating activity addresses the Knowledge/Understanding, Application, Thinking/Inquiry and Communication Achievement Chart categories.

## Accommodations

- Students who require enrichment could be asked to mentor peers requiring extra assistance.
- The teacher circulates around the room to give feedback and direction.
- Refer to Accommodation Chart if required.

## Resources

Ethics, Business, and Gospel Infusion - [www.smcdsb.edu.on.ca/secondary/business/infusion.html](http://www.smcdsb.edu.on.ca/secondary/business/infusion.html)  
Examples of ethics and gospel values applied to business curriculum and relevant links to other sites.

Schermerhorn, J., R. Cattaneo, and A. Templer. *Management – The Competitive Advantage*. Toronto: Wiley Publishers, 1995. ISBN 0-471-64110-3

Wilson, D. *ICAO Member's Handbook*. Toronto: CICA, 1989.

## Activity 4.2: Introduction to Christian Ethical Decision-making Model for Scenarios

**Time:** 75 minutes

### Description

Students are introduced to the Christian Ethical Decision-making Model as an approach to analysing ethical dilemmas. Scenarios are analysed using the first two steps of the model. Gospel Values are listed and described in order to assist in further dilemma analysis from a Christian perspective. Finally, a sample scenario is included together with a solution that can be used as a model for student solutions.

### Strand(s) & Learning Expectations

**Strand(s):** The Objectives of Accounting; The Fundamentals of Accounting

#### Ontario Catholic School Graduate Expectations

CGE1c - actively reflects on God's Word as communicated through the Hebrew and Christian scriptures;  
CGE3b - creates, adapts, and evaluates new ideas in light of the common good;  
CGE3d - makes decisions in light of gospel values with an informed moral conscience;  
CGE4f - applies effective communication, decision-making, problem-solving, time, and resource management skills;

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CGE4g - examines and reflects on one's personal values, abilities, and aspirations influencing life's choices and opportunities;

CGE5e - respects the rights, responsibilities, and contributions of self and others;

CGE7b - accepts accountability for one's own actions.

### Overall Expectations

OAV.01 - describe the discipline of accounting and its importance for business;

OAV.02 - demonstrate an understanding of the regulatory and ethical framework of accounting;

AFV.04 - assess the impact of technology on the accounting functions of business.

### Specific Expectations

OA1.04 - understanding of the changing role of accounting;

OA2.01 - describe the link between ethics in business and ethics in accounting;

OA2.02 - assess the effects of current issues and developments on the accounting profession;

AF4.02 - describe the ways in which technology can affect the accounting function.

### Prior Knowledge & Skills

Students are required to define Ethics and Ethical Behaviour, and Approaches to ethical behaviour.

Students also need to understand the benefits of ethical decision making and the consequences of not behaving ethically according to the ICAO Code of Conduct.

### Planning Notes

- The teacher can take these notes and copy them onto an overhead transparency.
- Teachers may also show clips of the video *Affluenza* from Bullfrog Films (see Resources).

### Viewing dilemma scenarios and case studies-Steps in the Christian Ethical Decision-making Model

1. Define the dilemma.
2. List the facts.
3. List your options.
4. Evaluate options: Is it legal? Is it right? Is it Christian? (See Gospel Values.)

*Does your decision adhere to Gospel Values?* Peace, Conflict Analysis and Management, Cooperation, Non-violence, Global Community, Social Justice, Social Sin, Human Rights, Responsible Use of Power, Responsible Stewardship of the Earth, Moral Conscience.

Gospel Value Examples:

Social Sin:	Are our company objectives, advertising, and objectives promoting social sins, such as greed and waste?
Human Rights:	Do we, as part of management, try to take advantage of employees to the point that we are denying employees a real life or a safe working environment?
Responsible Use of Power:	Do we take advantage of third-world countries to benefit our company?
Responsible Stewardship of the Earth:	Do we pollute in order to improve the bottom line or to eliminate our competitors through price wars?
Non-violence:	What concerns do we have about the treatment of employees?
Moral Conscience:	As a Christian and as a professional accountant you must be able to live with the decisions you make. It is your reputation, name, and ultimately your livelihood which are at risk. If a professional accountant is found guilty of professional misconduct or illegal activities, then they lose their ability to practise in Canada.

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5. Select an option.
  6. Reflection. What if others close to me find out about my decision? What will the Institute of Chartered Accountants do if they find out about my decision?
  7. If uncomfortable with your decision, then your moral conscience is talking to you. You need to go back and select another option (see Allan Otten. "Ethics on the Job: Companies Alert Employees to Potential Dilemmas." *The Wall Street Journal*. July 14, 1996, p. 17).

### **Sample Scenario and Solution**

Candice Crown, CA, is considering a request to audit the accounts of a local registered charity. It is Candy's policy not to charge an audit fee to any local charities. Candy has found this policy to be good in obtaining new clients; the cost is not significant, as there are few charities in this small community. In addition, she is considering an arrangement with the Lodge; she will donate \$250 for each new client that club members refer to her practice.

*Solution: Students complete the first two steps of the Christian Ethical Decision-making Model:*

Step 1) Define the dilemma.

Step 2) List the facts and how ICAO rules and Gospel Values are at question.

*For this particular scenario, the following are relevant issues:*

**Rules of Professional Conduct:** ICAO does not allow the providing of services without fee unless for charitable purposes. Candy's motive is profit-driven. This is a case of conditional fees.

**Client Solicitation:** The donation violates the ICAO rule about paying a commission to obtain clients.

**Professional Misconduct:** It could also be argued that Candy is conducting herself in a way that could taint the reputation of the accounting profession by profiting from a seemingly charitable action.

**Social Sin:** In today's society it has become more acceptable to lie for personal gain under the facade of goodwill. How many so-called charities are really "charitable"?

**Responsible Use of Power:** As a professional, you are seen as an honourable and trustworthy person. In this case, Candy is using the cloak of professionalism to misrepresent her actions.

**Moral Conscience:** Candy is living the letter of the law and not the spirit of the law. While the work is charitable within ICAO guidelines, she is financially benefiting from this activity.

### **Teaching/Learning Strategies**

1. The teacher begins by asking students to brainstorm what is it to be Christian. What are our basic beliefs? This leads into a discussion of Gospel Values and how they apply to business.
2. The teacher introduces the sample Candy Cane scenario on an overhead. Students work individually on applying the first two steps of the Christian Ethical Decision-making Model to the scenario.
3. Students share their analysis with a partner, after which the teacher leads a comparison of student analysis to the sample solution, which could also be presented on an overhead.

### **Assessment & Evaluation of Student Achievement**

- Students present their solution to the sample scenario to the class in a non-threatening, supportive environment. The presentation focuses on the Knowledge/Understanding Achievement Chart category, but will also address the other three categories.
- The unit test culminating activity addresses the Knowledge/Understanding, Application, Thinking/Inquiry and Communication Achievement Chart categories.

### **Accommodations**

- Students who require enrichment could be asked to mentor peers requiring extra assistance.
- The teacher circulates around the room to give feedback and direction.
- Refer to accommodation chart if required.

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## Resources

Bullfrog Films Company – [www.bullfrogfilms.com](http://www.bullfrogfilms.com)

Includes a video entitled *Affluenza*, which challenges our materialistic society.

Ethics, Business, and Gospel Infusion - [www.smcdsb.edu.on.ca/secondary/business/infusion.html](http://www.smcdsb.edu.on.ca/secondary/business/infusion.html)

Examples of ethics and gospel values applied to business curriculum and relevant links to other sites.

Schermerhorn, J., R. Cattaneo, and A. Templer. *Management - The Competitive Advantage*. Toronto: Wiley Publishers, 1995. ISBN 0-471-64110-3

Wilson, D. *ICAO Member's Handbook*. Toronto: CICA, 1989.

## Activity 4.3: Ethical Scenario Study

**Time:** 210 minutes

### Description

Students are exposed to many different scenarios, which they analyse using the format outlined in Activity 2. The class is divided into pairs on the first day in order to perform the scenario studies in a think/pair/share setting. On the second day, students work in trios with assigned roles. On the third day, students present their solutions to the class.

### Strand(s) & Learning Expectations

**Strand(s):** The Objectives of Accounting; Financial Analysis, Control, and Decision Making

#### Ontario Catholic School Graduate Expectations

CGE1d - develops attitudes and values founded on Catholic social teaching and acts to promote social responsibility, human solidarity, and the common good;

CGE2c - presents information and ideas clearly and honestly and with sensitivity to others;

CGE3d - makes decisions in light of gospel values with an informed moral conscience;

CGE3e - adopts a holistic approach to life by integrating learning from various subject areas and experience;

CGE4a - demonstrates a confident and positive sense of self and respect for the dignity and welfare of others;

CGE4e - sets appropriate goals and priorities in school, work, and personal life;

CGE5a - works effectively as an interdependent team member;

CGE5e - respects the rights, responsibilities, and contributions of self and others;

CGE5h - applies skills for employability, self-employment, and entrepreneurship relative to a Christian vocation;

CGE7a - acts morally and legally as a person formed in Catholic traditions;

CGE7j - contributes to the common good.

#### Overall Expectations

FAV.01 - demonstrate an understanding of the importance of proper internal control;

OAV.01 - describe the discipline of accounting and its importance for business;

OAV.02 - demonstrate an understanding of the regulatory and ethical framework of accounting control systems to the financial management of a business;

FAV.03 - demonstrate an understanding of how accounting information is used in decision making.

#### Specific Expectations

OA1.04 - understanding of the changing role of accounting;

OA1.06 - explain basic concepts, procedures, and GAAPs;

OA2.01 - describe the link between ethics in business and ethics in accounting;

OA2.02 - assess the effects of current issues and developments on the accounting profession;

- 
- FA1.01 - describe the basic elements of a proper internal control system;
  - FA1.04 - describe the role and work of an auditor;
  - FA1.05 - analyse control measures used in a business;
  - FA3.01 - demonstrate an understanding of various uses of financial data in decision making;
  - FA3.02 - describe how accounting information is used by company personnel;
  - FA3.03 - describe how accounting information is used by outsiders.

### **Prior Knowledge & Skills**

Students understand the first two steps in the Christian Ethical Decision-making Model. Furthermore, students need to be able to recognize when GAAPs and ICAO regulations are violated and situations in which Gospel Values are threatened.

### **Planning Notes**

- The teacher can select the pairs so as to have gifted students work with other students who may be in need of assistance. In addition, by changing partners each day, each student is exposed to a different mindset of morals, enhancing their overall learning experience.
- The teacher should photocopy as many of the scenarios as they need, physically cut the scenarios off the page, and then distribute different scenarios to each pair/trio. See Appendix 1.

### **Teaching/Learning Strategies**

1. On the first day, the teacher selects pairs to work together; within each group, students perform a think/pair/share analysis. The cases and student solutions are discussed by the class. Ideally, each group analyses two different scenarios in the allotted time.
2. On the following days, the teacher selects trios to work together; in each group, students perform scenario analysis. The cases and student solutions are discussed. Ideally, each group analyses three scenarios per day. Students are assigned tasks of Recorder, Timekeeper, and Spokesperson.
3. Under each scenario is a list of the relevant issues that should be discussed in the student solutions. There may be other issues as well that “crop up” as you look at them in more detail.

### **Assessment & Evaluation of Student Achievement**

- Students present their solutions to the scenarios in a non-threatening, supportive environment. Presentations focus on Knowledge/Understanding and Communication.
- The Unit test culminating activity addresses the Knowledge/Understanding, Application, Thinking/Inquiry and Communication Achievement Chart categories.

### **Accommodations**

- Students who require enrichment could be asked to work in groups with peers requiring assistance.
- Students who require enrichment could create new scenarios and solutions to be used in subsequent sections of the course.
- The teacher circulates around the room to give feedback and direction.
- Students requiring more time to read the document may have a partner read it to them.
- Refer to accommodation chart, if required.

### **Resources**

Ethics, Business, and Gospel Infusion - [www.smcdsb.edu.on.ca/secondary/business/infusion.html](http://www.smcdsb.edu.on.ca/secondary/business/infusion.html)  
Examples of ethics and gospel values applied to business curriculum and relevant links to other sites.  
Schermerhorn, J., R. Cattaneo, and A. Templer. *Management - The Competitive Advantage*. Toronto: Wiley Publishers, 1995. ISBN 0-471-64110-3  
Wilson, D. *ICAO Member's Handbook*. Toronto: CICA, 1989.

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## Appendix 1

### Scenarios for Class Use in Activity 4.3

#### Scenario 1

Brad Shoreman is a drummer in a band based out in Southern Ontario. He asks you to help him with his personal Tax Return. He believes that any cash “gigs” should not be included in his personal income because they are not traceable and the government gets enough of his money. You like their music and enjoy the free tickets supplied to you. What will you do when he demands that this revenue not be included? (Issues: Accounting Entity, Revenue Recognition, Social Sin, Moral Conscience)

#### Scenario 2

Lisi Crichton operates a variety store. Her brother does custom welding and made some racks to hold videos. Lisi gave her brother \$5000 cash and did not get a bill. A similar rack was on display at a department store for \$1000. You are told to book an expense on the company financial statement for \$5000. What will you book the amount for? What account will you post to?

(Issues: Cost Principle, Conservatism, Asset Capitalization, Objectivity, Conflict Analysis and Management, Social Sin, Moral Conscience)

#### Scenario 3

Carmello Sferazza has a restaurant called Stella’s Bistro. He has five employees, all of whom are friends. When he goes away on vacation to Italy for three months each year, his bartender does the deposits and bookkeeping. The bartender is his brother-in-law. Is there anything wrong with that?

(Issues: Internal control – Separation of duties, Responsible Use of Power, Moral Conscience)

#### Scenario 4

Cynthia VandenBerg operates a consulting firm. She performed work for the local Thunderwood Golf Course, but agreed to a golf membership in lieu of the work performed. An annual membership would cost \$1400. Cynthia argues that since no money changed hands, it need not be recorded as revenue. You act as accountant for Cynthia and have been friends for years. What do you say? (Issues: Revenue Recognition and Objectivity, Conflict Analysis and Management, Social Sin, Responsible Use of Power, Moral Conscience)

#### Scenario 5

Joe Saxafone is the proprietor of an upscale coffee shop. You are a patron of the coffee shop as well as their independent accountant employed at a local firm. You overhear Joe telling a patron that he is going to bring an espresso machine home and that he can depreciate it on the company books as an expense. Joe looked over at you during the conversation for non-verbal approval (the old “head nod”). Joe is also an old friend of your Dad’s. What do you do? (Issues: Business Entity Concept and Fraud, Social Sin, Human Rights, Responsible Use of Power, Moral Conscience)

#### Scenario 6

Neera Gupta is the owner of Just Videos. She purchased 50 new videos the day before her financial year end, when she realized that she may have to pay corporate tax on her net income for the 2000 calendar year. She has a bill for the full amount and a cancelled cheque to prove that she has paid for it. She has told you to record the bill as an expense for the current year. Is this a problem? (Issues: Matching Principle and Asset Capitalization, Peace, Conflict Analysis and Management, Social Sin, Moral Conscience)

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## Appendix 1 (Continued)

### Scenario 7

You are working for the accounting firm of Zulian, Bolton, and Buffone. A client's financial records do not include invoices for the purchase of a \$2000 computer used in the business. The client is Finnegan's Fireplace Manufacturer with total assets of \$100 billion and a net income of \$7.8 billion. The partner of the accounting firm has told you to not look any longer for the bill as the amount is so small and to accept the word of Finnegan's owner. You have already spent the allotted time on this client's work and will get a bad review if you spend any more time looking for this bill. (Issues: Objectivity, Materiality, Professional Judgement, Professional Liability, Conflict Analysis and Management)

### Scenario 8

Play It Again Sam Sporting Goods bought 5000 CCM hockey sticks at a total cost of \$50 000 on September 29, 2000. The owner, Chris "Bugaloo" Perri, has told you not to include the amount in the financial statements dated September 30, as Play it Again Sam has not paid for the goods yet so they really do not own the sticks. If they are included in the financial statements, the closing inventory figure would rise and thus result in a lower cost of goods sold. The company needs to show a high net income to get a bank loan necessary for expansion of their facility. (Issues: Cost Principle, Accrual Basis of Accounting, Conflict Analysis and Management, Responsible Use of Power, Moral Conscience)

### Scenario 9

Mirona Dragicevic owns a catering company named Good Eatin'. Sabrina Smith does the general ledger work; another part-time clerk named Rocky takes care of accounts receivable; and a third part-time clerk named Nicole takes care of accounts payable. Sabrina is a dedicated employee who never takes holidays and doesn't like anyone to take her place when she is working on things. Further, she takes over Rocky and Nicole's jobs when they take their vacations and doesn't ask for a raise when she helps out this way. Mirona appreciates this dedicated work ethic and gives Sabrina full control of all accounting functions, as they were best friends in high school. This includes reconciliation of general ledger control accounts to the general ledger listing, as well as signing authority on cheques. (Issues: Internal Control- Separation of Duties, Social Sin, Responsible Use of Power, Moral Conscience)

### Scenario 10

Hong Kong Construction (HKC Co.) is considering placing a bid for the new bypass around a town in Ontario. The proposed multi-year contract is to cover the years 2000-2003 (four-year contract) that will yield the successful company \$100 million in revenue with the stipulation that payment be withheld until project completion. The owner/operator held a closed door meeting in which he detailed to the accounting department the following plan: the calculated expenses are estimated to be near \$65 million and are to be recorded in the year they were incurred, not in the year revenue is realized. For the duration of the contract there will not be any revenue flow for the project. The plan means huge losses in the next four years, followed by one immensely revenue rich year. If the project is delayed, the payment will be delayed accordingly. He has asked you, as the Chief Financial Officer, to evaluate the proposed contract in conjunction with his proposed financial plan. What would you do? What issues are there for your company? What modifications would you make to the financial recording plan and the proposed contract? (Issues: Revenue Recognition, Time-Period Principle, Accrual Basis of Accounting, Conflict Analysis and Management, Moral Conscience)

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## Appendix 1 (Continued)

### Scenario 11

After having prepared financial statements and tax documents for Regan Heffernan for years, the two of you are good friends and socialize with each other; your families interact as well. Regan owns a large farm named Cornhuskers Ltd. and is approaching the bank for an expansion loan. He has asked you to prepare audited financial statements for the loan proposal and you agree as you know the business well. At the meeting the banker, is impressed with the financials presented. The banker then has a strange look on his face. He says, "I remember where I've seen you – you were out at Pasquale's Trattoria the other night with your families". You agree and inform the banker that your families socialize together and have even gone on a holiday together. The banker looks at the financials again and asks that another accounting firm verify the audit results that you spent five days putting together. What has just happened? (Issues: Objectivity, Conflict of Interest, Responsible Use of Power, Moral Conscience)

### Scenario 12

You are just starting your accounting practice and only have a few clients. You have a huge mortgage on your home and have just had \$5000 worth of car repairs done. The manager of twenty condominium corporations has approached you to be the auditor of all of the condo corporations. Each corporation will yield a fee of \$1500 but you live in one of the condo corporations. The audit will verify that legal requirements for safe reserves are in place and have an effect on the market value of each unit. You decide to relinquish your voting rights as an owner of the corporation that you live in and take the job as auditor. Have you fulfilled ICAO requirements regarding being an independent third party? Explain your stance. (Issues: Objectivity, Conflict of Interest, Professional Misconduct, Conflict Analysis and Management, Responsible Use of Power, Moral Conscience)

### Scenario 13

Me Do It Lumber Centre is a client for whom we do bookkeeping on a monthly basis. The financials are made without an audit and you are attending meetings with the client and their bank manager monthly to explain the information. Revenues increased from \$30 000 in the first month, to \$60 000 in the second to \$80 000 in the third. In addition, at year end you are asked by the client to perform the service of auditor to verify the accuracy of the bookkeeping and accounting work performed by your technicians. Upon performing the audit, you find out that \$60 000 is the cumulative revenue and not the revenue for the second month alone. Furthermore, the \$80 000 was also the cumulative total for the end of the quarter and not revenue for the third month. You know that you should report the problem in the audited financials, but what effect will this have on your credibility and reputation? (Issues: Conflict of Interest, Objectivity, Professional Misconduct, Conflict Analysis and Management, Social Sin, Responsible Use of Power, and Moral Conscience)

### Scenario 14

Juanita Alves is planning on expanding her fish farm operations to Southern Ontario and needs you to put together a business plan to secure additional bank finances. She agrees to pay you \$15 000 for the plan, but will pay a bonus of \$20 000 to you if the plan secures the loan for the company. Your firm is small and struggling and the bonus would cover your business rent for the year. What do you do? (Issues: Professional Misconduct, Conditional Fees, Objectivity, Conflict Analysis and Management, Social Sin, Responsible Use of Power, Moral Conscience)

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## Appendix 1 (Continued)

### Scenario 16

Current technology in accounting software allows the person setting up the company records to implement internal controls to protect the data and detect accounting irregularities. Specifically, any deletion of accounting entries is limited to authorized personnel and is recorded in a hidden file accessible only by the person who sets up the system. You have set up this system for Tres Hombres Music Company. After the first fiscal year, you open the file and see that the comptroller has deleted \$200 000 worth of revenue transactions. The result is that the company will not pay any corporate taxes this year. If included, the tax would be \$39 567 for the current year. What is your professional obligation to the information in the file? (Issues: Revenue Recognition, Tax Evasion, Internal Control, Conflict Analysis and Management, Social Sin, Responsible Use of Power, Moral Conscience)

### Scenario 17

Curly, Larry, and Moe are limited liability partners in La Trois Frere's Law Office in Waterville. They each contributed \$100 000 to the start-up costs of the practice. As such, they enter into a partnership agreement that outlines the specific job duties, responsibilities, and liabilities and includes a special clause that details the division of profits and losses. However, the agreement does not include provisions to address the issue of equitable remuneration (compensation for work completed by each practitioner). Curly has recently been negligent on a number of cases. His secretary has revealed that Curly has been frequenting the local pub. What responsibilities do the other partners have for Curly's negligent work? If this pattern of Curly's continues, the remaining partners will have to take over Curly's case load. If the net income of the practice was \$150 000, how should the proceeds be distributed at year-end? (Issues: LLP Liability vs. Partnership Liability, Profit Distribution, Conflict Analysis and Management, Social Sin, Human Rights, Moral Conscience)

### Scenario 18

Mike Prentice, CMA, is a staff accountant with a large CA firm. In the process of completing an audit of Honka Autos Limited (HAL), Mike discovers that HAL has been awarded an exclusive government contract for 12 years, which will triple the sales of HAL. Mike would like to acquire shares of HAL, but he is aware that it is not possible because of the objectivity concerns as auditor. Therefore, he informs his sister that it would be a good investment to buy shares in HAL, but does not disclose the reason. (Issues: Objectivity, Insider Trading, and Disclosure, Social Sin, Responsible Use of Power, Moral Conscience)

### Scenario 19

Jacquelyn Daniels, CGA, a sole practitioner, has been the auditor of Snowshoes 'R Us Ltd. (SSRU) for six years. Dris Stanley, the owner, told Jacquelyn that the new controller was incompetent and he fired him after six months. He had replaced SSRU's long time controller, who had recently retired. While Dris searched for a new controller, Jacquelyn's husband Jake would assume the controller's duties for SSRU on a part-time basis. Jacquelyn also agreed to give Dris her audit working paper documents after the end of the audit. This would make it easier for Dris to train any future controller he hired. (Issues: Objectivity, Confidentiality of Audit process/findings, Responsible Use of Power, Moral Conscience)

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## **Activity 4.4: Introduction to Christian Ethical Decision-making Model for Cases**

**Time:** 75 minutes

### **Description**

Students are introduced to all of the steps in the Christian Ethical Decision-making Model as a guide for analysing ethical dilemmas in cases. They then identify how the approach to scenario analysis is different from the model for case analysis. Finally, students are given a sample case and solution using the Christian Ethical Decision-making Model.

### **Strand(s) & Learning Expectations**

**Strand(s):** The Objectives of Accounting; The Fundamentals of Accounting; Financial Analysis, Control, and Decision Making

#### **Ontario Catholic School Graduate Expectations**

CGE1c - actively reflects on God's Word as communicated through the Hebrew and Christian scriptures;

CGE3b - creates, adapts, and evaluates new ideas in light of the common good;

CGE3c - thinks reflectively and creatively to evaluate situations and solve problems;

CGE3d - makes decisions in light of gospel values with an informed moral conscience;

CGE4f - applies effective communication, decision-making, problem-solving, time, and resource management skills;

CGE4g - examines and reflects on one's personal values, abilities, and aspirations influencing life's choices and opportunities;

CGE5e - respects the rights, responsibilities, and contributions of self and others;

CGE7b - accepts accountability for one's own actions.

#### **Overall Expectations**

OAV.01 - describe the discipline of accounting and its importance for business;

OAV.02 - demonstrate an understanding of the regulatory and ethical framework of accounting control systems to the financial management of a business;

FAV.03 - demonstrate an understanding of how accounting information is used in decision making;

AFV.04 - assess the impact of technology on the accounting functions of business.

#### **Specific Expectations**

OA1.04 - identify the users and uses of accounting;

OA1.05 - demonstrate an understanding of the recording and decision making aspects of accounting;

OA2.01 - describe the link between ethics in business and ethics in accounting;

OA2.02 - assess the effects of current issues and developments on the accounting profession;

FA3.01 - demonstrate an understanding of various uses of financial data in decision making;

FA3.02 - describe how accounting information is used by company personnel;

FA3.03 - describe how accounting information is used by outsiders;

AF4.02 - describe the ways in which technology can affect the accounting function.

### **Prior Knowledge & Skills**

Students are required to define Ethics, Ethical Behaviour, and Approaches to ethical behaviour. Students also understand the benefits of ethical decision making and the consequences of not behaving ethically according to the ICAO Code of Conduct. Students should have the note on the steps in the Christian Ethical Decision-making Model.

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## Planning Notes

- The teacher can take the attached sample case study analysis and copy it on an overhead transparency.
- The teacher gives a copy of the sample case details to students for their perusal.
- See Appendix 2.

## Teaching/Learning Strategies

1. The teacher begins by reviewing the steps in the Christian Ethical Decision-making Model outlined for scenarios (steps 1 and 2 only).
2. The teacher then reviews ALL of the steps in the model. All steps are implemented when dealing with case study analysis.
3. Students identify how the approach to scenario analysis is different from the model for case analysis.
4. The teacher provides students with a photocopy of the case details and ask them to use the Christian Ethical Decision-making Model to perform an analysis of the sample case.
5. The teacher uses student input to come up with a class solution to the model case, which is then compared to the sample solution.

## Assessment & Evaluation of Student Achievement

- Students present their solution to the case to the class in a non-threatening, supportive environment. The focus of the evaluation is on Thinking/Inquiry and Communication.
- The unit test culminating activity addresses the Knowledge/Understanding, Application, Thinking/Inquiry and Communication Achievement Chart categories.

## Accommodations

- The teacher circulates around the room to give feedback and direction.
- Refer to Accommodation Chart, if required.

## Resources

Ethics, Business, and Gospel Infusion - [www.smcdsb.edu.on.ca/secondary/business/infusion.html](http://www.smcdsb.edu.on.ca/secondary/business/infusion.html)  
Examples of ethics and gospel values applied to business curriculum and relevant links to other sites.

Schermerhorn, J., R. Cattaneo, and A. Templer. *Management - The Competitive Advantage*. Toronto: Wiley Publishers, 1995. ISBN 0-471-64110-3

Wilson, D. *ICAO Member's Handbook*. Toronto: CICA, 1989.

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## Appendix 2

### Sample Case Analysis for Use in Activity 4.4

Students complete all steps of the Christian Ethical Decision-making Model.

#### Case 1: Water Worries

A prominent paint company, Rainbow Paints, started with one location and later expanded into many modern facilities while maintaining the original site. Total revenues last year were \$27 billion and the company had a reputation for paying its executives huge bonuses.

The original factory is located 5 km upstream from the town of Horrizon and is now 75 years old. Five hundred of Horrizon 25 000 residents have jobs at this plant. While the plant still passed Environmental Regulations, it is getting so old that it is not running efficiently and has been shut down twice in the past six months due to emergency repairs. Rainbow Paints and especially management at the site have never set environmental standards as a priority as too much attention would detract from the net profit, resulting in lower bonuses for management. Paint thinners are routinely flushed into the sewage system; they make their way into a pipe and get washed into the nearby river when there are large rainfalls causing storm sewers to overflow.

One of the residents of Horrizon is Glen Herrell, a chemist and new executive with Rainbow's original plant. Glen knows that he could make \$100 000 in salary and up to \$40 000 in bonuses if the company's profit level remains the same as last year. Recently, at a training session, Glen learned of new testing techniques to determine the presence of a chemical known as ZZT, commonly used by paint producers and making its way into the nearby waters. ZZT has been proven to cause cancer in lab rats but its implication on humans is yet unknown. Testing included taking initial samples 3 km downstream from the plant and secondary samples near the Horrizon water intake for the town's drinking water. The results showed that the initial samples had readings of ZZT that were ten times the legal limit and the secondary samples at the highest limit of acceptability as set by provincial guidelines.

Horrizon doctors have started noticing and recording high rates of cancer in long-time residents, together with abnormally high incidents of miscarriages in women who had lived most of their lives in Horrizon. Glen has come to you with the results of his testing and is torn about whether to recommend implementation of a complete overhaul of the plant. The overhaul would cost \$50 million and not only would the company executives forego bonuses, the factory may be shut down and a site in Comfort Bay expanded to pick up the extra capacity. Your lawyers say that because there currently is no direct link between ZZT and human health, you cannot be held liable in a court of law under current legislation. As CFO, you must decide what to tell the Board of Directors and CEO about the information.

#### Solution

Step 1. Define the dilemma and identify which of the four approaches to ethical behaviour you are using. From a Christian perspective it can be rationalized that a utilitarian view is the most Christian of the views as it delivers the greatest good to the most of God's creatures. The dilemma faced is that the CFO benefits personally if he decides to hide all or part of the results of the study.

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## Appendix 2 (Continued)

Step 2. List the facts.

- Factory location, age
- Job implications
- Environmental practices
- Personal implications
- ZZT implications
- Cost of overhaul

Step 3. List your options.

1. Bury the report.
2. Only give partial factual data to the CEO with no recommendation.
3. Only give partial factual data to the CEO with a recommendation to do minor repairs to the plant.
4. Full disclosure of the report with no recommendation.
5. Full disclosure of the report with a recommendation to repair/rebuild the original site.

Step 4. Test the options.

*Is it legal?* All of options 2-5 are legal as there are no laws being broken.

Burying the report is illegal because it does show that readings in the initial sample near the plant were ten times the legal limit.

Do all humans deserve healthy living conditions?

Glenn could have chosen to skew the report results to preserve his job and bonus but instead has shown you the results. You, as CFO, could consider your own bonus and your job security in short and long term. If you ignore the mess and it is found out will you have a job? Will the firm protect you when an environmental disaster is uncovered or will they claim ignorance and use you to take the fall?

What is fair and equitable? Is it fair that management take large bonuses and the company doesn't modernize the plant? Is it fair that the river that has no voice is being exploited by a corporate entity? Is it fair that the company pick up and move to another town leaving behind a run-down plant and 500 unemployed residents of Horrizon?

*Is it Christian?* The Applicable Gospel Values are:

Conflict Analysis and Management – Is it good conflict resolution to hide a problem in the hope that it will go away?

Human Rights – Do the residents of Horrizon have the right to safe environment? Are you earning enough money without the bonus for your family to have a good living?

Responsible Use of Power – As a person in a position of power, your Christian responsibility is to do unto others, as you would have others do unto you. This would mean trying to keep the jobs in Horrizon.

Responsible Stewardship of the Earth – As a resident of the area, you should consider what kind of an environment you are leaving behind for your children and family.

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## Appendix 2 (Continued)

Step 5. Select an option

The ideal solution is option 5; the community would have safer water, retain its 500 jobs, ensure the safety of your job in the long run, and maintain the long-term profitability of the firm.

Step 6. Reflection should lead the student to option 5, eventually, as they must consider the following tough questions: What if others close to me find out my decision? What will the ICAO do if they find out about my decision?

### Activity 4.5: Case Study Application and Presentations

**Time:** 210 minutes

#### Description

Students are exposed to many different cases, which they analyse using the format outlined in Activity 4.4. The class performs the analysis individually on two cases. Students also perform analysis on other cases in trios with assigned roles. Finally, students present their solutions to the class.

#### Strand(s) & Learning Expectations

**Strand(s):** The Objectives of Accounting; The Fundamentals of Accounting; Financial Analysis, Control, and Decision Making

#### Ontario Catholic School Graduate Expectations

CGE1i - integrates faith with life;

CGE2b - reads, understands, and uses written materials effectively;

CGE2a - listens actively and critically to understand and learn in light of gospel values;

CGE2c - presents information and ideas clearly and honestly and with sensitivity to others;

CGE3c - thinks reflectively and creatively to evaluate situations and solve problems;

CGE3d - makes decisions in light of gospel values with an informed moral conscience;

CGE3e - adopts a holistic approach to life by integrating learning from various subject areas and experience;

CGE3f - examines, evaluates, and applies knowledge of interdependent systems (physical, political, ethical, socio-economic, and ecological) for the development of a just and compassionate society;

CGE4c - takes initiative and demonstrates Christian leadership;

CGE4d - responds to, manages, and constructively influences change in a discerning manner;

CGE4f - applies effective communication, decision-making, problem-solving, time, and resource management skills;

CGE4g - examines and reflects on one's personal values, abilities, and aspirations influencing life's choices and opportunities;

CGE5a - works effectively as an interdependent team member;

CGE5e - respects the rights, responsibilities, and contributions of self and others;

CGE5f - exercises Christian leadership in the achievement of individual and group goals;

CGE5g - achieves excellence, originality, and integrity in one's own work and supports these qualities in the work of others;

CGE7a - acts morally and legally as a person formed in Catholic traditions;

CGE7b - accepts accountability for one's own actions;

CGE7e - witnesses Catholic social teaching by promoting equality, democracy, and solidarity for a just, peaceful, and compassionate society;

CGE7j - contributes to the common good.

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## **Overall Expectations**

OAV.01 - describe the discipline of accounting and its importance for business;

OAV.02 - demonstrate an understanding of the regulatory and ethical framework of accounting;

OAV.03 - distinguish between the different types of business structures;

FAV.01 - demonstrate an understanding of the importance of proper internal control systems to the financial management of a business;

FAV.03 - demonstrate an understanding of how accounting information is used in decision making;

AFV.01 - analyse the similarities and differences in the accounting procedures and principles for a service business, manufacturing business, and merchandising business.

## **Specific Expectations**

OA1.04 - identify the users and uses of accounting;

OA1.05 -demonstrate an understanding of the recording and decision making aspects of accounting;

OA2.01 - describe the link between ethics in business and ethics in accounting;

OA2.02 - assess the effects of current issues and developments on the accounting profession;

FA3.01 - demonstrate an understanding of various uses of financial data in decision making;

FA3.02 - describe how accounting information is used by company personnel;

FA3.03 - describe how accounting information is used by outsiders;

AF4.02 - describe the ways in which technology can affect the accounting function.

## **Prior Knowledge & Skills**

Students understand the first two steps in the Christian Ethical Decision-making Model. Furthermore, students need to be able to recognize when GAAPs and ICAO regulations are violated and situations in which Gospel Values are threatened.

## **Planning Notes**

- The teacher needs to supply each student with copies of five cases. The teacher could use the cases in Appendix 3 or create new ones. See Appendix 3 for resources.
- The teacher considers groupings of students to ensure that gifted students are able to work with other students who require additional help.

## **Teaching/Learning Strategies**

1. On the first day, the teacher assigns two cases for students to work on individually. One solution is discussed orally while the remaining case is submitted for grading.
2. On the second day, the teacher selects trios to work together. In groups, students perform case study analysis of the three remaining cases. Each person in the group is assigned different tasks for each case: Recorder, Timekeeper, and Spokesperson.
3. During analysis, students learn more detailed case study analysis and are put into situations not as clear cut as the scenarios. They think like management as well as accounting professionals.
4. Students present one of their solutions to the class.

## **Assessment & Evaluation of Student Achievement**

- Students present their solution to the case to the class in a non-threatening, supportive environment. The focus of the evaluation is on Thinking/Inquiry and Communication.
- The unit test culminating activity addresses the Knowledge/Understanding, Application, Thinking/Inquiry and Communication Achievement Chart categories.

## **Accommodations**

- The teacher circulates around the room to give feedback and direction.
- Refer to accommodation chart if required.

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## Resources

Ethics, Business, and Gospel Infusion - [www.smcdsb.edu.on.ca/secondary/business/infusion.html](http://www.smcdsb.edu.on.ca/secondary/business/infusion.html)  
Examples of ethics and gospel values applied to business curriculum and relevant links to other sites.

Schermerhorn, J., R. Cattaneo, and A. Templer. *Management - The Competitive Advantage*. Toronto: Wiley Publishers, 1995. ISBN 0-471-64110-3

Wilson, D. *ICAO Member's Handbook*. Toronto: CICA, 1989.

## Appendix 3

### Cases for Class Use in Activity 4.5

#### Case 1: What's in a Rumour?

Brinichi Systems was experiencing impressive growth in the semi-conductor industry and meeting cash goals for the first time in many years. There is a rumour going around that suppliers are receiving late payments. Brett is confident the rumours are incorrect, but could he ignore them wholeheartedly?

At 5:00 pm Brett phoned home and told his wife he would be home shortly. She requested that he pick up a few things at the grocery store. She gave him a list, but he repeatedly asked her to repeat what she said. His head was elsewhere; he was still reeling from what had transpired at an earlier meeting in the day. He was wrestling with the comments from a fellow colleague. But more specifically, what was he going to do?

Brett Rosie is the Fibre Optics Division Manager of Brinichi Systems, a billion-dollar division of FEA Systems Incorporated. Specifically, Brinichi Systems produced semi-conductor solutions and Internet infrastructure for FEA Systems. Brett is responsible for the maintenance of an ethical environment within Brinichi and is committed to ethical procurement set out through mandated department policies and procedures. In addition, he routinely conducts training programs rich in ethically based curriculum. His training philosophy is centred on case study analysis and, therefore, group work, cooperation, and sharing are very important. This approach helped develop an environment that is hospitable to open discussions – which is at the heart of the team-building philosophy at Brinichi.

As each case is analysed, summarized, and solved one after the other, it is Brett's contention that at the end of each session he ask the group which case seemed particularly applicable to their current situation. This final free thinking/expression session is usually not very memorable – until today. Jamie Grecco began to speak aggressively about a case in which a supplier began to receive account payments on a regular basis from its biggest account. On a comedic reply, Brett proclaimed "Remember, we don't worry about other companies' payment practices". The statement was not met with laughter, but rather a deadening silence. Then, out of the tranquility, someone replied "Maybe we should focus more on our own."

"What is going on here?" Brett thought to himself. Could there be some inconsistency in our payment procedures? Is this fact or a byproduct of a rumour? Did he bring something up that did not jive with his own information? Whatever the case, Brett expressed to the group that he would address this issue once he had attained all the pertinent information – until then we go with what we know – we are meeting cash goals for the first time in many years – until further research says otherwise. Brett also reassured the group that he would get to the bottom of this within a reasonable amount of time.

As Brett placed the phone down, he could not help but obsess on the idea that the company was making timely payments and meeting cash goals or were his impressions totally unfounded.

Did he really want to lend credibility to this rumour? He went back to his office, collected files, placed them in his briefcase and set out to pick up a few things at the grocery store.

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## Appendix 3 (Continued)

### Case 2: All in the Family

Georgian Seafoods Inc. (GSI) was started by Mr. Ho 25 years ago. He recently retired and transferred the shares of GSI equally to his three children. Li and Ling Ho have been in the family business since leaving high school. Sun went to university and got her CA designation. The accounting and tax work for GSI has been done by Ms. Mikayla Zulian, CA, who attached a review report to the financials. The bank recently called GSI requesting audited interim financial statements within 30 days. Ms. Zulian informed GSI that she would not be able to complete the accounting and tax work requested. In fear of losing the needed bank support, Li phoned Sun and asked for help. Sun completed the financials and signed an unqualified audit report, meaning that there are no restrictions on the scope and content of the audit. Sun knew the business and trusted her siblings; she would obtain the necessary evidence once the crisis was over.

### Case 3: Promotion Commotion

Goggles Paisano has run his own accounting practice for the last 12 years. One of his audit clients, Cimento Salata Construction (CSC) recently hired Mr. Smith as their controller. Mr. Smith apprenticed with the firm of Carson and Taylor (C&T) and has maintained a close relationship with the firm since he left 12 years ago. The partner-in-charge of client development at C&T sent a letter to Mr. Smith when they read about his new position at CSC, which included the following comments: “We wish to congratulate you on your new position. As you know, our firm provides a full range of service to businesses like CSC. The audit fee for such a client would be based on time spent but will not exceed \$25 000. We would not charge you for tax planning services directly, but would rather charge you 10% of any taxes saved by our recommendations. We would be pleased to discuss this matter with you further at your convenience.”

The fee of \$25 000 is about 60% of what you have been charging CSC for all services provided, including the year-end audit. What do you do?

### Case 4: Losing your promotion and your clients too!

You recently passed your CA exam and work for the firm of Greedy and Simple, who have been auditors of Temper Tantrums Ltd. (TTL) for over 25 years. Mr. Greedy went to university with the majority owner of TTL and has completed the audit since the company began operations. Mr. Greedy retired this year and you are in line for a potential partnership if the client base is maintained. The new partner-in-charge is not as familiar with the operations of TTL as you are and has scheduled a meeting next week with Mr. Greedy and you to ensure a smooth transition. The new partner calls an emergency meeting since he has received a letter from a large CA firm asking if there are any reasons not to accept the audit engagement of TTL.

You are upset by the loss of the client; if you retained Mr. Greedy’s clients it would enhance your chances of a partnership with the firm. You decide to make the transition process as difficult as possible by missing scheduled appointments, not returning calls, and denying access to your files.

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## **Activity 4.6: Summative Evaluation**

**Time:** 75 minutes

### **Description**

Students write a unit test, including both scenario and case analysis.

### **Strand(s) & Learning Expectations**

**Strand(s):** The Objectives of Accounting; Financial Analysis, Control, and Decision Making

#### **Ontario Catholic School Graduate Expectations**

CGE1i - integrates faith with life;

CGE2b - reads, understands, and uses written materials effectively;

CGE2c - presents information and ideas clearly and honestly and with sensitivity to others;

CGE3c - thinks reflectively and creatively to evaluate situations and solve problems;

CGE3d - makes decisions in light of gospel values with an informed moral conscience;

CGE3f - examines, evaluates, and applies knowledge of interdependent systems (physical, political, ethical, socio-economic, and ecological) for the development of a just and compassionate society;

CGE4c - takes initiative and demonstrates Christian leadership;

CGE4d - responds to, manages, and constructively influences change in a discerning manner;

CGE4f - applies effective communication, decision-making, problem-solving, time, and resource management skills;

CGE5f - exercises Christian leadership in the achievement of individual and group goals;

CGE5g - achieves excellence, originality, and integrity in one's own work and supports these qualities in the work of others;

CGE5h - applies skills for employability, self-employment, and entrepreneurship relative to the Christian vocation.

#### **Overall Expectations**

OAV.01 - describe the discipline of accounting and its importance for business;

OAV.02 - demonstrate an understanding of the regulatory and ethical framework of accounting;

OAV.03 - distinguish between the different types of business structures;

FAV.01 - demonstrate an understanding of the importance of proper internal control systems to the financial management of a business;

FAV.03 - demonstrate an understanding of how accounting information is used in decision making.

#### **Specific Expectations**

OA1.03 - demonstrate the changing role of accounting;

OA1.04 - identify the users and uses of accounting;

OA1.05 - demonstrate an understanding of the recording and decision making aspects of accounting;

OA1.06 - explain basic concepts, procedures, and Generally Accepted Accounting Principles;

OA2.01 - describe the link between ethics in business and ethics in accounting;

OA2.02 - assess the effects of current issues and developments on the accounting profession;

OA3.03 - compare the responsibilities of owners, shareholders, and partners in relation to debt obligations of a business;

FA1.04 - describe the role and work of an auditor;

FA3.01 - demonstrate an understanding of various uses of financial data in decision making;

FA3.02 - describe how accounting information is used by company personnel;

FA3.03 - describe how accounting information is used by outsiders.

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### **Teaching/Learning Strategies**

1. Have students write a test, which includes both scenario and case analysis (see sample test Appendix 4).

### **Assessment & Evaluation of Student Achievement**

- Summative assessment of unit test.

### **Accommodations**

- Provide opportunities such as oral testing, scribing, and extended time as outlined in the student's IEP.

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## Appendix 4

### Sample Test for Activity 4.6

#### Unit 4 Test – Total marks = 80

#### PART A (Knowledge/Understanding)

Matching. Match the term to the most appropriate definition. (1 mark each = 20 marks total)

a – Business Entity	b – Revenue Recognition	c – Cost Principle
d – Conservatism	e – Objectivity	f – Matching
g – Asset Capitalization	h – Materiality	i – Accrual Accounting
j – Division of Labour	k – Time Period	l – Reliability
m – Disclosure	n – Confidentiality	o – Fraud
p – Professional Liability	q – Conflict of Interest	r – Professional Misconduct
s – Conditional Fees	t – Undue Influence	u – Tax Evasion
v – Limited Liability Partnership	w – Insider Trading	x – Client Solicitation

- \_\_\_ 1. A form of advertising that is allowed by ICAO members.
- \_\_\_ 2. When one person can easily convince others to do something because of their reputation or position.
- \_\_\_ 3. The legal duty of care that is owed by an accounting professional to users of documents that they prepared.
- \_\_\_ 4. This is said to occur when a person with privileged information uses it for his/her own personal gain.
- \_\_\_ 5. When accountants receive additional revenue from their clients if things go well.
- \_\_\_ 6. The deliberate misrepresentation of financial information.
- \_\_\_ 7. Making decisions that will result in lower rather than higher net income.
- \_\_\_ 8. Something that a company owes.
- \_\_\_ 9. Accountants specialize in performing one task rather than many to ensure minimal transition time and maximum efficiency.
- \_\_\_ 10. Each company sets and defines a consistent accounting period (e.g., month, quarter, year, etc.).
- \_\_\_ 11. Disclosing important and useful information that will affect decisions of the users of financial information.
- \_\_\_ 12. Recording of revenue when it is earned, whether cash or credit.
- \_\_\_ 13. Assets are shown on the balance sheet using the cost of their acquisition or construction.
- \_\_\_ 14. The use of source documents to verify the value of items before recording transactions.
- \_\_\_ 15. Expenses are recorded during the same period as they were used to create revenue.
- \_\_\_ 16. Revenue is recorded when the service is performed or when goods are shipped even if cash has not been received.
- \_\_\_ 17. Each business is considered a separate unit from the owner's personal data.
- \_\_\_ 18. Deliberate misrepresentation of information for the purpose of decreasing your liability to the Receiver General.
- \_\_\_ 19. When an item purchased will be used in more than one accounting period and should be set up on the balance sheet.
- \_\_\_ 20. The maintaining of client information private from all other outside sources.

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**PART B** (Knowledge/Understanding, Thinking/Inquiry, Application, Communication)

Short Answer. Prepare your solutions on foolscap provided. (20 marks total)

1. A) List any five of the Fundamental Behaviour Principles (5 marks)  
B) From your above list, describe a situation that would be a violation of each principle. (5 marks)
2. How could Gospel Values assist you professionally in handling ethical dilemmas and cases? Make reference to five of the Gospel Values in your analysis. (10 marks)

**PART C** (Thinking/Inquiry, Application, Communication)

Scenario and Case Study Analysis. To be done on foolscap provided. (40 marks total)

1. For each scenario, outline and explain the issues involved using scenario analysis. (10 marks each)  
**Scenario 1** – The Jones Health Food Emporium Inc. is a major franchise client with 50 stores in Canada. Their fees represent 40% of your annual revenues. You are a newly-hired CA and the lead manager on the audit. You recognize that the situation could get your firm in “hot water” with ICAO, as one client has the potential of unduly influencing your objective opinion. The audit has revealed that the franchises have a combined total of \$100 000 worth of vitamin supplements that have almost exceeded their best-before date. The CEO has told you that they will be able to sell the vitamins despite the date. You think otherwise, that most consumers would not buy stale inventory and as such the value should be set at \$2000. You discuss the issue further with the client and she says “I understand that my fees mean a lot to your firm” and that “you should discuss this with Thomas J. Armstrong III”. Coincidentally, Thomas is the senior partner who hired you and there are few other job prospects for you in this city. Try and get yourself out of this one!  
**Scenario 2** – Nanci Alves, CA is considering accepting an appointment as auditor of K2 Inc. (K2I). She is also the auditor of Acme Products Inc. (API), a direct competitor of K2I. The management of the two companies would be very upset if they knew she was the auditor of both. Nanci is of the opinion that her knowledge of one company will help the audit of the other.
2. Given the following case, perform a case study analysis using the steps in the Christian Decision-making Model framework. (20 marks)

*Case Study*

In order to meet strong competition from foreign subcompact cars, management of Electro Motor Co. decided to introduce a new vehicle by 2001, the Green Machine. The overall objective is to produce a car at or below \$20 000 with a combustion-assisted electric engine. Production and design normally takes three and a half years, but in this case it was accomplished in one and a half years.

The Green Machine was approved by top management, even though there were several reports stating the results of crash tests and remedies for malfunctions. The car had a tendency to burst into flames when rear-ended at 105 km/hour. This tendency was caused by the combustion engine and the electric engine malfunctioning and firing simultaneously, resulting in gas and electricity in the chamber at the same time. A remedy available to Electro is separating the two engines completely by a 3-inch solid iron plate, which would not fold under impacts up to 150 km/hr. This is not cost effective as material and labour would add \$5000 to the list price and postpone introduction to 2003. Management instead decided to market the car as a great city vehicle, a second car for “running around”. The company rationalized that most city drivers will not exceed 80 km/hr and further that if they were driving at speeds of 105 km/hour the driver would be considered reckless and no one would be suspicious of the possible vehicle defects. Electro lawyers suggested they would need to allot compensation payments of: \$500 000 for each death caused by the car times approximately 50 deaths, 100 burn victims at \$100 000, and 2000 burned vehicles at \$5000 each. This came to a total compensation of \$45 000 000 if the defect is ever found. The total cost to install the improvement is \$5000 per car times 1 million cars produced, totalling \$5 billion. The information was presented to you as Chief Financial Officer.

Was the decision not to install the solid iron appropriate? What faults can you identify in Electro’s cost analysis of human life? What would you suggest?