Ethics is Imperative to Effective Fair Value Reporting: Weaving Ethics into Fair Value

Teresa M. Cortese-Danile, *The Peter J. Tobin College of Business, St. John's University*
danilet@stjohns.edu

R. David Mautz, Jr., *University of North Carolina, Wilmington*
mautzr@uncw.edu

Irene M. McCarthy, *The Peter J. Tobin College of Business, St. John's University*
mccarthi@stjohns.edu

Executive Summary

The use of fair value measurement in accounting has been a source of concern for accountants and auditors, legislators, regulators and market participants. The role of fair value measurement (also known as "mark to market" accounting) in precipitating the near-collapse of financial markets in 2008 has been debated by Congress, the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB), among others.

Congress explicitly considered the impact of fair value accounting in the Emergency Economic Stabilization Act of 2008. Although the SEC concluded, in its report to Congress, that fair value accounting did not contribute to the failures of major financial institutions, the PCAOB has been actively issuing Staff Audit Practice Alerts to assist auditors in identifying matters that could affect audit risk. The ethical application of fair value measurement remains a critical concern.

The issuance of Financial Accounting Standard (FAS) 157, Fair Value Measurements, and the subsequent clarifications provided in FASB Staff Position (FSP) 157-4 are part of the Financial Accounting Standards Board's (FASB's) effort to promote consistency and comparability in fair value measurement. Despite these efforts, significant concern remains about the extent to which judgment is permitted in the application of fair value in inactive and disorderly markets. In short, the latitude afforded entities to assign fair values to assets and liabilities means that the most important "principles" in mark-to-market accounting are the ethical principles of preparers and auditors who estimate and attest to the fair values reported in financial statements. Thus, a high level of ethical diligence is essential to counter managers' natural inclination to report optimistic fair values when markets are inactive or disorderly.

Background

The Conceptual Framework of Accounting identifies relevance and reliability as the primary qualitative characteristics of useful financial information. While both are theoretical ingredients of ideal information, a tension exists between relevance and reliability in practice. The accounting profession's perennial devotion to historical cost measurement reflects an overriding concern with the reliability of financial reports. Moreover, the historical cost of an asset in an arm's length transaction is arguably the most reliable measure of fair value at the transaction date. With the passage of time, historical costs become less and less relevant.

The Financial Accounting Standards Board's (FASB's) gradual embrace of fair value measurement in recent years reflects an attempt to provide more relevant information about values after the initial transaction date. However, one of the costs of this shift has been an increased threat to the reliability of financial reports. This article

المنارة للاستشارات
www.manaraa.com

explores some of the ethical implications of fair value reporting and argues that education can play an important role in mitigating the inherent threat to reliability posed by fair value accounting.

The current economic environment may trigger certain risk factors associated with misstatement due to fraudulent financial reporting, including incentives, pressures and opportunities present in the reporting entity.

Prior to the issuance of Statement of Financial Accounting Standards No. 157, Fair Value Measurements, there were varying definitions of fair value. Generally accepted accounting principles (GAAP) guidance for applying those definitions was limited. Guidance related to fair value measurements was contained within the broad spectrum of existing pronouncements, and the differences in that guidance created inconsistencies in the application of GAAP.

The Financial Accounting Standards Board (FASB) addressed the need for increased consistency and comparability in fair value measurements, and in September 2006 issued Financial Accounting Standard (FAS) No. 157 to address those needs and expand disclosures related to fair value measurements. FAS No. 157 has been codified into FASB Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosure. Topic 820 defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements, which are intended to provide clarity and consistency in the way fair values are measured.

The FASB emphasizes the notion that fair value be based on an exit price and not an entry price. There is a distinction made between observable inputs and unobservable inputs. Observable inputs are based on market data obtained from independent sources. Unobservable inputs (Level 3 measurements) emanate from the entity's own assumptions based on the best information available.

The importance of inputs cannot be underestimated, for it is these upon which reliance is placed and these which are most susceptible to manipulation. Observable inputs, used in Level 1 and 2 fair values, include the data sources and market prices that are available and visible outside the entity. Observable inputs are external to the entity and more objective than the internal unobservable inputs of Level 3. Unobservable inputs are the data and analysis that are developed within the entity to assess the fair value. Indeed, Level 3 inputs are unobservable inputs for the asset or liability. These are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.[1]

The Impact of Fair Value on the Current Economic Environment

The notion of unobservable inputs was intended to allow for situations in which there was little or no market activity for the asset or liability at the measurement date. In those situations the reporting entity need not have taken all possible efforts to obtain information about market participant assumptions. Additionally, though the reporting entity was expected not to ignore information about market participant assumptions, it was given the leeway to pursue the information if it was reasonably available without undue cost and effort.

For example, a Level 3 input would include a financial forecast developed using the reporting entity's own data if there is no information reasonably available, without undue cost and effort, that indicates that market participants would use different assumptions.[2] Such latitude in professional standards clearly set the stage for the liberties taken by financial institutions in valuing the bad assets on their books. The extent to which Level 3 measurements contributed to the economic crisis was not

www.manaraa.com

known until the economic crisis hit. The Level 3 overvaluations permitted to be used by financial institutions acted as a catalyst in fueling the economic crisis.

The crisis has demonstrated that markets are ineffective in controlling unethical practices driven by greed.

Consider the case of subprime mortgage-backed securities. These represent one of the instruments for which there were substantial write-downs. The fair value of financial instruments collateralized by assets, such as homes with declining values, is difficult to approximate due to the difficulty of estimating the value of the underlying homes. When there are falling house prices that may not support the value of a mortgage and the mortgage-backed security held as investments by banks and other investors, the lack of the ability to objectively measure the value of the houses that support these debt instruments creates uncertainty. This has caused a lack of confidence in investing in these securities and has resulted in an inactive market. For entities that must liquidate their holdings of these mortgage-backed securities, the prices received may be considered "forced" or "distressed" prices that are not indicative of the intrinsic fair value. When the markets are inactive, the issue is whether these market participant trades and broker quotes are reliable estimates of fair value.[3]

In spite of the flagrant deception perpetrated by financial institutions, according to the Financial Crisis Advisory Group, accounting standards were not a root cause of the financial crisis. Instead, the crisis has exposed weaknesses in accounting standards and their application. The weaknesses primarily involved:

(1) the difficulty of applying fair value ("mark-to-market") accounting in illiquid markets
(2) the delayed recognition of losses associated with loans, structured credit products, and other financial instruments by banks, insurance companies and other financial institutions
(3) issues surrounding the broad range of off-balance sheet financing structures, especially in the U.S.
(4) the complexity of accounting standards for financial instruments, including multiple approaches to recognizing asset impairment[4]

The Emergency Economic Stabilization Act of 2008 took into consideration the view held by some that fair value accounting contributed to bank failures. Two sections of the Act recognize fair value as a possible influence on the degree to which financial institutions were viewed as having potential solvency problems. Section 133 of the Act re quired that the Securities and Exchange Commission (SEC) report to Congress on the effect of mark-to-market fair value accounting on the recent bank failures. The SEC's report was required to include recommendations to remedy any weaknesses identified in the study.

Specifically, this study was required to evaluate the effect of fair value accounting on bank failures and bank balance sheets. It was required to: (a) address the way the FASB develops accounting standards, (b) describe alternate possible accounting methods, and (c) evaluate the quality of financial reporting information provided under Topic 820. The study was issued by the SEC staff on December 30, 2008, and concluded that Topic 820 did not contribute to the bank failures in 2008. The report does suggest the need for expanded disclosures, the need for more guidance on fair value, and other improvements in the financial reporting of fair value. (CCH Accounting research Manager, Overview and Scope of Topic 820 *et al.*)

Recent Efforts by Standard-Setters and Regulatory Agencies

Three FASB Staff Positions (FSPs) were issued on April 9, 2009 which revised and clarified Topic 820:

- FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (codified as Topic 820)
- FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (codified as Topic 320)
- FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (codified as Topics 825 and 270, respectively).

المنارة للاستشارات
www.manaraa.com

[The] Treadway Commission report ... outlined causal factors associated with fraudulent financial reporting, identifying tone at the top as a critical factor.

Topic 320 defines key classifications of securities and accounting treatment for the classifications, whereas Topics 825 and 270 extend disclosure requirements on all fair value assets and liabilities on the balance sheet and/or footnotes to interim periods. All three FSPs are tied together in concept and purpose.[5]

Most relevant to this article is FSP FAS 157-4. It is not our intent to engage in a detailed discussion of the FSP, but instead to point out that there is no change in the underlying principles set forth in Topic 820. FSP FAS 157-4 primarily clarifies the fair value measurement process and expands the disclosure requirements. It provides a list of tests of market activity. This list of tests can be found in ASC 820-10-35-51A. The tests provide guidance to help the reporting entity evaluate factors to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability. This should help the user decide if the market volume has declined to the point where the market quotes are neither orderly nor reliable measures of fair value.

The FSP does not prescribe a methodology for making adjustments to transactions when estimating fair value, so it offers no detailed specified tests for measuring fair value. If there has been a significant decrease in the volume and level of activity, then a change in valuation technique or the use of multiple valuation techniques is considered appropriate. Determining the price at which willing market participants would transact if there has been a significant decrease in the volume and level of activity will require the use of significant judgment.[6] What resonates from this part of the guidance is that the way each test is applied will continue to require judgment. Hence, we opine that such guidance, yet again, allows entities considerable latitude in measuring fair value.

The FASB recognizes that the determination of whether a transaction is orderly is indeed more difficult if there has been a significant decrease in the volume and level of activity. However, such circumstances do not provide conclusive evidence that transactions are not orderly (distressed or forced). ASC 820-10-35-51E provides guidance to assist in determining if a transaction is not orderly, but in 51F indicates that the entity need not undertake all possible efforts and should not ignore information available to it without undue cost and effort.

In general, fair values in the financial statements are frequently developed with the assistance of a valuation expert. Those valuations should to be audited by independent CPAs. Notwithstanding, the Public Company Accounting Oversight Board (PCAOB) has expanded audit requirements and the resulting implications have become apparent in field application of Topic 820's guidelines. (CCH Accounting Research Manager, Current Economic Crisis *et al*.)

On April 21, 2009, the PCAOB issued Staff Audit Practice Alert No. 4, Auditor Considerations Regarding Fair Value Measurements, Disclosures, and Other-Than-Temporary Impairments. The purpose of this staff audit practice alert is to inform auditors about potential implications of the FSPs on reviews of interim financial information and annual audits. This alert addresses the following topics: (1) reviews of interim financial information ("reviews"); (2) audits of financial statements, including integrated audits; (3) disclosures; and (4) auditor reporting considerations. This alert highlights certain areas and is not intended to serve as a substitute for the relevant auditing standards. (PCAOB Staff Audit Practice Alert No. 4 *et al*.)

The PCAOB also issued Staff Audit Practice Alert No. 3, Audit Considerations in the Current Economic Environment, on December 5, 2008. The purpose of this practice alert is to assist auditors in identifying matters related to the current economic environment that could affect audit risk. Several audit risk considerations are provided in the

المنارة للاستشارات
www.manaraa.com

alert including fraud risk considerations. The practice alert points out that the current economic environment may trigger certain risk factors associated with misstatement due to fraudulent financial reporting, including incentives, pressures and opportunities present in the reporting entity. Additionally, reference is made to PCAOB Staff Audit Practice Alert No. 2, Matters Related to Auditing Fair Value Measurements of Financial Instruments and the Use of Specialists, which was issued on December 10, 2007. The PCAOB reminds auditors that this practice alert and their responsibilities remain relevant, especially with regard to auditing fair value measurements, classification within the hierarchy, using the work of a specialist and use of a pricing service.[7]

The Need for Ethics

Rules are said to lose their bite over time because regulation-induced innovation creates and widens loopholes. Complex structured securitizations expanded as a way to respond to rules. The market and government failures that produced the crisis can be described as "de-supervision." Consequently, agents (i.e., management) had little incentive to fulfill their fiduciary responsibility to the public and investors. Devising a way to prescribe "a goodly dose of ethics" would be a way of remedying such disregard for the rules.[8] Verschoor (2009) agrees that the crisis has demonstrated that markets are ineffective in controlling unethical practices driven by greed.[9]

A starting point would be the cultural audit as suggested by Castellano and Lightle (2005). An independent firm would conduct the audit periodically and it would focus on the preoccupation with meeting analysts' expectations, pressure associated with meeting targets, and compensation tied to performance. Those authors support the concept of a cultural audit by reference to the 1987 Treadway Commission report. That report outlined causal factors associated with fraudulent financial reporting, identifying tone at the top as a critical factor.[10]

Brooks and Dunn (2007) suggest that accountability be based on responding to shareholder and other stakeholder interests. The modern governance framework should direct corporate personnel to integrate those interests into their strategies, planning and decision-making. Discovering what those interests are is imperative, as well as understanding the risks that should be managed.[11]

We believe that business education is also part of the solution. Business schools should focus on integrity at the individual, company and societal levels. Waddock (2005) opines that the accounting profession seems to have failed to acknowledge that accounting is fundamentally an ethical, rather than a technical discourse. A top executive with integrity will not only be true to his or her critically examined beliefs and standards, but will develop mission statements that define the whole corporation and encourage accurate reporting. The majority of top executives are people who possess integrity but have been led astray by a lack of self-examination and by the fact that no one in their organization offers them alternatives to a profit-based style of management and they learned no different course of action during their business school education.[12]

When one believes it is acceptable to be dishonest or sees others acting dishonestly, then one is more likely to behave dishonestly. Behavior can be shaped by pressure from others.

The need for ethics is underscored by a 2004 survey of top Fortune 500 corporate executives conducted by co-author Cortese-Danile (2006). The results of that instrument indicate that corporate culture is considered relatively more important than financial incentives and personal values in misrepresentation of financial statements. Generally, respondents felt less strongly that companies who support unethical behavior can be remedied, but rather that those engaging in unethical behavior can be remedied.[13]

المنارة للاستشارات

www.manaraa.com

The response to education in ethics by the survey participants was overwhelmingly positive. Respondents supported teaching ethics at the university level and, in particular, business ethics. In particular, the executives believed that case studies should be used in teaching ethics and they felt rather strongly that improving education in professional ethics could improve corporate culture (Cortese-Danile *et al.*)

We argue that in conjunction with Kohlberg's theory of moral development, intervention must take place at the collegiate level. Kohlberg's (1976) cognitive theory of moral development states that moral reasoning develops quite naturally. It develops through a series of stages and is stimulated by social interaction. The stages reflect our progress as moral reasoners from a time when we think in egoistic terms to when we conform to societal norms to when we are able to reason morally in terms of the perspective of a rational individual. In an interim stage of this theory one develops a sense of fairness.[14] It is at this interim stage that intervention must take place. Here education can play a significant role in mitigating the inherent threat to reliability posed by fair value accounting.

The form of intervention must be considered, and to that end we refer to a study which examined moral judgment, moral experience and the impact of a moral intervention project on adult undergraduate students. Armon (1998) concluded that education programs for adults should go beyond the emphasis on moral abstract reasoning to the application of such reasoning to real social problems. There existed no evidence that discussion of moral dilemma and conflict encourages the development of abstract reasoning. Rather, community membership and the sense of personal responsibility had a greater impact on students. If experience is to be meaningful, it must have a personal and emotional connection to the participant.[15] This connection is of critical importance in the delivery of the intervention.

Intervention, if it is to have an impact, should be in the form of interactive case studies. Such case studies are a powerful tool in the study of ethics. They involve asserting the facts of the case, defining the ethical issues, identifying the major principles, rules and values related to the case, selecting alternative plans, comparing the values and alternatives and anticipating the consequences of the various options (Langenderfer[16] and Rockness 1989). Kennedy and Lawton (1992) suggested that students engaged in dramatizations of business dilemmas develop greater awareness of the complexity of the ethical and moral issues than by just reading essays. The heightened realism of the circumstances provides the student with a clearer view of what the main characters are struggling with.[17]

The conflicts that management and executives struggle with in the real world must be understood in order to successfully overcome those challenges. One study (Greene 1999) looked at the decision to behave dishonestly as a response to one's perception of the environment. An individual's conduct is dependent in part upon how he or she perceives the norm of the situation. Indeed, the individual looks to others for an indication of what is acceptable behavior. When one believes it is acceptable to be dishonest or sees others acting dishonestly, then one is more likely to behave dishonestly.[18] Behavior can be shaped by pressure from others.

Personal conflicts that arise when there is a disparity between what organization members believe they ethically should do, and what they actually do. This has been the subject of some prior research. Individuals rely on the opinions of their referent groups when deciding how to behave. Organizational and environmental factors can affect one's behavior. Moral approbation (Jones and Ryan 1997) proposes that individuals consider four factors when determining their own level of moral responsibility in a given situation. When deciding whether to behave unethically, the

المنارة للاستشارات
www.manaraa.com

factors one considers include:

1. Consequences of one's actions.
2. The question as to whether the act is moral or immoral.
3. One's degree of complicity in the act.
4. The extent of pressure felt.[19]

The pressure to comply has long been considered a factor in unethical behavior. In 1987 the Treadway Commission concluded that an aggressive tone at the top was a contributing factor and that students should be trained to recognize the signs.

There must be structural changes in ethics education and corporate culture to help mitigate the temptation to manipulate fair values so that confidence in financial reporting is restored.

The Environment and Current Trends

A slowing economy may increase pressure on companies to meet and often exceed short-term performance goals or to demonstrate that shareholder value has improved due to management's leadership. This mindset in slower economic times can contribute to increased fraudulent activity. Historical data supports this premise. The United Kingdom's Financial Services Authority, in its 2008 Financial Risk Outlook, warned that increased financial pressures could lead to opportunities for management and employees to commit or break laws. Three common factors drive fraudulent activity: financial pressure, opportunity and rationalization. These factors, present even in a strong economy, can be exacerbated during an economic downturn.[20]

During an economic downturn, business units potentially face increased pressure to meet or exceed financial targets. The risk for fraudulent activity increases, according to the 2007 Oversight Systems Report on Corporate Fraud. The results of that report indicate that 81% of the study participants stated that fraud occurs when employees and managers are faced with pressure to do "whatever it takes" to meet financial goals. The greater the pressure, the easier it may be to rationalize fraudulent activity.

Management may rationalize such activity believing it best serves the interests of the company, employees and shareholders. Opportunity may present itself during an economic downturn. A corporation's risk environment can be impacted as it employs stabilization strategies such as downsizing and prioritization of revenue generating activities. Companies place revenue generating activities and expense reductions over risk management issues. The result can be that effective implementation of internal controls or fraud control policies may be neglected. (Deloitte 2008 *et al.*)

The Deloitte whitepaper *Risk Intelligence in a downturn – Balancing risk and reward in volatile times* points out that effective risk management depends on three key components: (1) risk governance, (2) risk infrastructure and management, and (3) risk ownership. Risk governance involves strategic decision-making and risk oversight, led by a Board of Directors. Risk infrastructure and management includes designing, implementing and maintaining an effective risk program. This effort should be led by executive management. Risk ownership activities include identifying, measuring, monitoring and reporting on specific risks.[21]

Ernst & Young surveyed more than 500 senior executives, predominately those at the C-suite and board level in global companies with revenue turnover in excess of US$1 billion across multiple industry sectors. The survey was conducted for Ernst & Young by the Economist Intelligence Unit in June and July 2009. The survey revealed that ninety-six percent of global organizations today believe they have an opportunity to improve their risk management functions. Nearly half said that committing additional resources to risk management could create a competitive advantage. The survey also highlights the point that the economic downturn is

المنارة للاستشارات
www.manaraa.com

heightening awareness among companies of the need to manage risk more effectively.[22]

The accounting industry needs to understand how the actions of companies they audit will impact the community, not just shareholders.

Conclusion

There were and continue to be very credible supporters of fair value, noting that to use anything other than fair value would be to hide or defer recognition of the decline in value (CCH Accounting Research Manager, Current Economic Crisis et al). Recent FSPs have been issued to provide guidance in measuring fair value, and the PCAOB has recently issued audit alerts addressing risks associated with fair value measurements. Disappointingly, the most recent guidance from the FASB leaves a gap in reporting Level 3 fair values. The absence of detailed specified tests will only serve to keep the door to manipulation wide open. There must be structural changes in ethics education and corporate culture to help mitigate the temptation to manipulate fair values so that confidence in financial reporting is restored.

Waddock (2005) suggests that business schools pay more attention to fundamental questions about the meaning and consequences of economic gain and that corporate responsibility be put at the core of business and accounting education. Courses on analysis must consider implications of corporate and individual actions. Accountants must be prepared to question the system and view situations from the perspective of all stakeholders and society as a whole. The professional must assume responsibility for the welfare of others. The accounting industry as a whole needs to understand the evolution of social and environmental reporting and how the actions of companies they audit will impact the community, not just shareholders. Ethics, accuracy and transparency are an integral part of accounting, not something to consider when dilemmas arise.

The ethical implications of increased transparency and diligent oversight cannot be underestimated. Primary responsibility for reliable and relevant financial information rests with management. It is our duty as a profession to be proactive in creating and upholding the standards by which we practice — both accounting and auditing standards.

Besides the continuing diligence of CEO's and corporate finance officers to ensure that financial statements reflect economic reality, the FASB and PCAOB must maintain an unprecedented level of thoughtful standard-setting and comprehensive oversight to protect the public.

Pressure, temptation and greed will always exist in our society. It is not only the responsibility of regulatory bodies to ensure fairness, honesty and social responsibility, but it is also our own responsibility. Despite controls that may be in place, there will always be justification and rationalization for engaging in deceitful activities. It is the responsibility of regulatory agencies to focus on reducing the value of the incentive to commit fraud, and instead increase the value of compliance while decreasing the opportunities to deviate from the rules.[23]

Endnotes

[1]www.fasb.org/summary/stsum157.shtml

[2]CCH Accounting Research Manager. "Current Economic Crisis: Accounting and Auditing Considerations-2009" www.accountingresearchmanager.com.jerome.stjohns.edu:81/wk/rm.nsf/0/C686B4A392C8CED2862575C300498860?OpenDocument&rnm=462176&Highlight=2,ETHICS%20FAIR%20VALUE

[3]CCH Accounting Research Manager. "Overview and Scope of Topic 820." www.accountingresearchmanager.com.jerome.stjohns.edu:81/wk/rm.nsf/0/3F758505FDF37279862575A0006E963D?OpenDocument&rnm=652283

[4]Report of the Financial Crisis Advisory Group. 2009. July 28, 2009. 32 pp.

المنارة للاستشارات
www.manaraa.com

[5] PCAOB Staff Audit Practice Alert No. 4, "Auditor Considerations Regarding Fair Value Measurements, Disclosures and Other-Than-Temporary Impairments." www.accountingresearchmanager.com.jerome.stjohns.edu:81/wk/rm.nsf/8befeab843ef00cd072564ac0082d2ad/e1f7251312c4b418862575a00046afe2?OpenDocument&rnm=733336

[6] www.fasb.org asc.fasb.org/section&trid=2155956%26analyticsAssetName=subtopic_page_subsection%26nav_type=subtopic_page#d3e17774-110257

[7] CCH Accounting Research Manager:
- PCAOB Staff Audit Practice Alert No. 2, "Matters Related to Auditing Fair Value Measurements of Financial Instruments and the Use of Specialists." www.accountingresearchmanager.com.jerome.stjohns.edu:81
- PCAOB Staff Audit Practice Alert No. 3, "Audit Considerations in the Current Economic Environment." www.accountingresearchmanager.com.jerome.stjohns.edu:81

[8] Kane, E. J. 2009. "Unmet Duties in Managing Financial Safety Nets." (Dissertation) Boston College. August 2009, 1-38.

[9] Verschoor, Curtis C. 2009. "Can Government Manage More Ethically than Capitalism?" Strategic Finance. October 2009. XCI:4, 14.

[10] Castellano, J. and S. Lightle. 2005. "Using Cultural Audits to Access Tone at the Top." The CPA Journal. February 2005. 75:2, 6-9.

[11] Brooks, Leonard J. and P. Dunn. 2007. Business and Professional Ethics for Directors, Executives and Accountants. Mason, OH: South-Western Cenage Learning.

[12] Waddock, Sandra. 2005. "Hollow Men and Women at the Helm…Hollow Accounting Ethics?" Issues in Accounting Education. May 2005. 20:2, 145-150.

[13] Cortese-Danile, T.M. 2006. "The Factors That Lead Corporate Executives to Misstate Financial Information: Identification of the Variables That Result in a Compromise of Ethical Values." (Dissertation) St. John's University. March 2006, 1-82.

[14] Kohlberg, L. 1976. Moral Development and Behavior. New York: Rinehart, and Winston.

[15] Armon, Cheryl. 1998. Adult Moral Development, Experience and Education. Journal of Moral Education. September 1998. 27:3, 345-371.

[16] Langenderfer, H. Q. and Rockness, J. W. 1989. Integrating Ethics into the Accounting Curriculum: Issues, Problems and Solutions. Issues in Accounting Education. Spring 1989. 58-69.

[17] Kennedy, E. J. and Lawton, L. 1992. Business Ethics in Fiction. Journal of Business Ethics. 11, 187-195.

[18] Greene, A. 1999. Honesty in Organizations: Perceptions of the Corporate Environment and their Impact on Individual Behavior. (Dissertation) Brandeis University. October 1999.

[19] Jones, T. and Ryan, L. 1997. The Link between Ethical Judgment and Action in Organizations: A Moral Approbation Approach. Organization Science. 8:3, 663-677.

[20] Deloitte. 2008. Financial Fraud: Does an Economic Downturn Mean an Uptick. Financial Advisory Services. 5 pages.

[21] Deloitte. 2009. Risk Intelligence in a Downturn: Balancing Risk and Reward in Volatile Times. Risk Intelligence Series. 14, 1-16.

[22] The Ernst & Young Future of Risk report, www.ey.com/US/en/Newsroom/News-releases/Misaligned-and-fragmented-risk-functions-jeopardizing-organizations-performance

[23] Daley, John. 2009. Dimming the Lights on SOX. CMA Management. April 2009. 83:2, 29-33.

المنارة للاستشارات

www.manaraa.com

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

www.manaraa.com