Chapter 3 THE CORE PHILOSOPHIES

Exercises

Core Principles

1. “If you really want to do the moral thing, sell most of your worldly possessions, and give the proceeds to those starving in impoverished countries.” Would utilitarians and deontologists agree or disagree with this statement?

SOLUTION for Exercise 3-1: A utilitarian probably would agree. The marginal utility of a dollar to a starving person is far greater than the marginal utility lost by the wealthier donor who sells off possessions. Deontologists believe in fostering human dignity and would encourage charitable giving to those who are less fortunate. Deontologists, however, also strongly believe in the protection of property rights and would not support forced wealth transfers.

2. The Hippocratic Oath that doctors adhere to often is interpreted to say, “First do no harm.” Is this oath consistent with deontology, utilitarianism, or both?
SOLUTION for Exercise 3-2: Deontology encompasses the duty to never injure or kill another person. Thus, the notion of “doing no harm” is consistent with deontology.
In contrast, utilitarianism balances benefits against costs. It does not attempt to eliminate all harm. Rather, if the harm to some yields greater collective benefits to society, a utilitarian will tolerate the existence of some harm to others.

3. Kant believed in respecting “human dignity.” Kant’s phrasing does not encompass the dignity of animals. Do we owe a moral duty to respect the dignity of animals? If so, is this duty identical to the moral duty to respect the dignity of humans?

SOLUTION for Exercise 3-3: For discussion.

4. X is an ill-tempered man who did not commit a crime and does not want to go to prison. Y, a mild-mannered taxi cab driver, did commit the crime, but he also does not want to go to prison. Ten people believe that X, the innocent man, committed a crime and are very afraid of him. These same ten people are not fearful of Y, even though he actually is the guilty man.
The government has decided that it will imprison innocent man X, not Y.
a. From the perspective of utilitarianism, was the government’s act ethical?
b. From the perspective of deontology, was the government’s act ethical?

SOLUTION for Exercise 3-4:
a. Maybe. If the government sends X, the innocent man, to prison, all ten observers will benefit from an increased feeling of safety. Also, the guilty man, Y, will benefit from an increase in his freedom to continue as a free man. Only X, the innocent man, will suffer a loss of utility. Therefore, it is possible that total societal utility actually is maximized by sending the innocent man to jail!
b. No. Under deontology, we have a duty to never wrongfully deprive a person of his freedom.

5. In the late 1800s, three individuals were shipwrecked and stranded in the ocean. To survive, they decided to kill the weakest member of the ship’s crew, eating his flesh and drinking his blood. If they had not done so, all four passengers on the ship, including the one who was killed, would have died from lack of food and fluids. Was the decision of the three individuals who survived ethical?
SOLUTION for Exercise 3-5: This question is based on actual court case. William Blackstone, a famed British judge and legal commentator, had written "that when assailed, a man ought rather to die himself than escape by the murder of an innocent." Two of the men were convicted of homicide and were sentenced to death by hanging. Ultimately, Queen Victoria pardoned them, imposing a mere six-month prison sentence on each of them. For further reading, see: [http://www.duhaime.org/LawMag/LawArticle-1320/Cannibalism-on-the-High-Seas-the-Common-Laws-Perfect-Storm](http://www.duhaime.org/LawMag/LawArticle-1320/Cannibalism-on-the-High-Seas-the-Common-Laws-Perfect-Storm)

**FOLLOW UP:** Would you guess that the judge is a deontologist or a utilitarian? A deontologist. What about the queen? A utilitarian.

If you had been the judge, would you have imposed the death penalty on these individuals? Would you have followed the queen’s approach and have reduced their sentences to a mere six months in prison? Or, would you have imposed a sentence somewhere between these two extremes? What does your viewpoint tell you about whether you tend to be a deontologist or a utilitarian?

6. The deontology concept of the Categorical Imperative implies that certain duties are never subject to exceptions. Can you think of a situation in which it would be ethical to make an exception to the following duties?

- The duty to always be truthful
- The duty to never harm or kill another person
- The duty to never deprive an innocent person of his or her freedom

**SOLUTION for Exercise 3-6:** Prosocial, or so-called “white” lies are a reasonable exception to the duty to always be truthful. Self-defense is a reasonable exception to the duty to never harm another. Also, when others grant their consent to perhaps suffer an injury, such as when another agrees to play a violent team sport, is another reasonable exception to the duty to never harm someone. Society’s need to quarantine someone with a serious, contagious disease is a reasonable exception to the duty to never deprive someone of freedom.

7. Is privacy an inalienable right that cannot be trampled upon or sold? Have you ever, in effect, sold your privacy rights in return for economic consideration?

**SOLUTION for Exercise 3-7:** Many people “sell” their privacy without overtly realizing it. Many websites, including social media, provide “free” services. In return, however, these companies monetize consumer data gathered from
website users.

FOLLOW UP: Celebrities often have paparazzi follow them and invade their privacy and the privacy of their families. Is some of the extremely high earnings generated by famous actors, musicians, and athletes in effect compensation for them “selling” their privacy? Or some crave the limelight and would pay money to make sure that they remain in the public eye?

Lying, Stealing, and Cheating

8. On a well-known website, a middle-aged accountant posted a photo of herself. The photo was about 6 years old and was far more flattering than her appearance. Was the posting of this photo ethical?

SOLUTION for Exercise 3-8: Maybe. People customarily post the most flattering photo of themselves on the internet, and most viewers “discount” that fact when they consider the likely attractiveness of the person posting the photo. As a result, most viewers have a reasonable expectation that the person’s true appearance is less attractive than the posted photo.

9. “Imagine a world in which a criminal defendant directly pays a judge’s salary and the judge then decides if the defendant should escape punishment because he is telling the truth. Or, a world in which a student directly pays their professor for reading their essay and the professor gives the student their grade. Well, that is exactly what happens in the world of auditing. A company simply ‘purchases’ its auditor upfront and then the auditor, having closed the sale, decides if the company’s financial statements are truthful and deserving of a ‘clean’ audit opinion.” Do you agree or disagree with the implication of this statement that clients pay so much in audit fees that auditors essentially are “bought and sold?”

SOLUTION for Exercise 3-9: For discussion.

10. A robber steals Ferrari cars from rich kids who bought these cars with inherited money. When the robber resells the stolen cars, he donates 75% of the proceeds to the America Cancer Society and uses the remaining proceeds to care for his aged mother who lives in a nursing home.
   a. Are the robber’s actions ethical?
b. Would your answer be any different if the owners of the stolen cars have insurance policies with $1,000 deductibles on their cars?
c. Would your answer be any different if the robber handed $1,300 to the owners of the stolen cars at the time of the robbery and the owners of the cars had insurance policies with $1,000 deductibles?

SOLUTION for Exercise 3-10:
a. According to deontology, property rights merit protection. Thus, stealing is never ethical. That is, the end never justifies the means.
However, utilitarianism would consider whether the societal benefits exceed the costs. Shifting wealth from “rich kids” who have luxury cars to cancer research and care for the aged likely does increase overall societal utility, but that’s a subjective determination. That is, under utilitarianism, the end does justify the means.
b. The same analysis applies that was used above. However, in this case, the car owner’s loss of utility is capped at the value of $1,000 plus the inconvenience of having to obtain a replacement car. However, the remainder of the loss of utility is shifted to the insurance company, which bears the remainder of the car theft losses.
c. This appears to be a win-win-win, with the car owners, cancer research, and the thief’s aged mother all gaining utility. However, the insurance company will bear the entire cost, narrowly speaking, and more broadly, the insurance company will pass much or all of this cost increase along to others in society in the form of high insurance premiums. Thus, this policy shifts benefits to identifiable beneficiaries, but unidentifiable customers of insurance companies (and perhaps, to some extent, shareholders and employees of insurance companies) will bear the costs in the form of higher insurance premiums (or shareholders will receive fewer dividends and capital appreciation in their shares, and employees of insurance companies might receive smaller wage increases.)

Business Applications

11. You work as an internal auditor for a manufacturer. Your employer has a strict policy against internal auditors engaging in romantic relationships with company employees. All employees frequently are warned that they will be fired if they violate this rule.

Despite this policy, you secretly have been dating a manager in the company’s information systems department. You and this manager always
receive excellent performance reviews because you both are talented, experienced employees.

When a company executive began asking questions about this romantic relationship, you both denied having a romantic relationship. In justifying your lying, you reasoned that the company had not suffered any harm so far, but it would sustain significant harm if it had to replace two valuable employees. You, of course, also would suffer tremendous harm if your lives were disrupted and had to find other jobs elsewhere. From the perspective of consequentialism, was it ethical for you to lie?

SOLUTION for Exercise 3-11: Maybe. If your actions created net benefits for all parties involved, a utilitarian would agree with your decision to lie. Nonetheless, in performing this calculation, it is important to factor in the subtle harm that a company suffers whenever an employee successfully avoids punishment for lying. When unethical behavior goes unpunished, employee respect for company policies diminishes. This in turn might encourage others to ignore company rules. Furthermore, employee morale might suffer if employees who diligently “played by the rules” feel betrayed. Once these subtle harms to the company and fellow employees are considered, it is unclear whether the societal benefits from you lying exceeded the costs.

12. A corporation originally was formed with only common stock outstanding. If a company suffers financial distress or goes bankrupt, preferred stock holders receive full repayment of their investments before any amounts are paid to common stockholders. Would it be ethical for this corporation to issue preferred stock?

SOLUTION for Exercise 3-12: Yes. Because preferred stock is less risky, the company can raise capital more cheaply by issuing preferred stock rather than common stock. This cheaper financing benefits the common stockholders, assuming that the capital raised from the preferred stock offering is invested to earn a return that exceeds the amounts paid to the preferred stockholders. Thus, while the issuance of preferred stock raises the risks borne by common stockholders, it also raised the average returns earned by common stockholders. The issuance of preferred stock may appear to adversely affect the common shareholders’ property rights, but it might well actually enhance the value of the common shareholders’ interests.
FOLLOW UP: Would it be ethical for this corporation to obtain a bank loan, knowing that lenders have a priority right to be repaid over stockholders? The same reasoning applies.

13. To qualify for a working capital loan, a bank requires loan applicants to satisfy a specified debt-to-equity ratio. After reviewing your employer's trial balance, you realize that the company had insufficient owners' equity to meet bank requirements. You consider the bank's ratio rules to be unnecessarily strict, so you intentionally increased company owners' equity by capitalizing maintenance costs that should have been expensed.

If the company fails to obtain the loan, you fear that a wonderful colleague will be laid off and become unable to afford his child support payments. Furthermore, if the company obtains the loan, you are "100% certain" that it will be able to make all required interest and principal payments. From the viewpoint of consequentialism, were your actions ethical?

SOLUTION for Exercise 3-13: Maybe. When parents keep their jobs and can afford to make child support payments, their children benefit greatly. On the other hand, when financial statements are falsified, significant social costs also arise. For example, when banks cannot rely on the accuracy of loan applications, banks have to raise interest rates to compensate for the increased risk of borrower defaults and credit for deserving borrowers may become less available.

Thus, on balance, it is not clear that the benefit to your colleague from keeping his job exceeds the broader societal costs incurred by other market participants.

14. When a competitor introduced a revolutionary new air conditioner, the head of your company's engineering department purchased one these product units and dissembled it, piece by piece, to learn how it was made. After doing so, your company developed a similar product and began selling it in the marketplace. The competitor's product was not patented. Was your company's conduct ethical?

SOLUTION for Exercise 3-14: Maybe. From a legal perspective, "reverse engineering" a competitor's product generally does not violate the law. From an ethical perspective, the answer is less clear. A deontologist likely would consider your company's actions to be a violation of the competitor's property rights. The competitor invested substantial time and effort to develop
this product, and a deontologist would suggest that your company has a duty to respect their property rights. A utilitarian would weigh the benefits against the costs. Obviously, your company benefits from being able to produce a competing product. Furthermore, consumers benefit from better quality and lower prices whenever a monopolist faces competition. However, by "reverse engineering" this product, the competitor is harmed because it earns less profit. More significantly, though, society is harmed in the long run because companies will refrain from investing time and capital in inventions that advance our standard of living if they know that "reverse engineering" will deprive them of the full benefits of their efforts.

15. During a job interview, a recruiter asked a graduating student if she ranks the recruiter’s company as “her first choice.” The student unhesitatingly replies “yes,” even though this potential employer actually is her third choice. Was the student’s answer ethical?

SOLUTION for Exercise 3-15: Maybe. A deontologist considers lying to never be justified. Thus, to followers of Kant, the answer is no. A utilitarian would examine whether the benefits of this student getting the job exceed the harms to the employer and others. If so, a utilitarian would say that the answer was ethically acceptable because a good “end justifies the means” utilized by the student. Alternatively, the recruiter essentially forced the job seeker to give this answer because answering “no” likely would doom the job seeker’s pursuit of employment. Some would argue that the recruiter knew that a “yes” answer was effectively compulsory and that the recruiter was not in any way relying on the truthfulness of that answer in making a decision. In short, in the “game” of securing employment, certain falsehoods are expected by both parties and essentially harmless.

16. Your client, Druggacon, Inc., sells a life-saving drug used by patients with leukemia. Critics have accused the company of producing a drug that “costs 10 cents to make but sells for nearly $800 per dose.” You client has asked you, their accountant, to issue a press release saying that the drug costs $250 per dose, not 10 cents. For this statement to be truthful, you would have to factor in the Research and Development cost that Druggacon, Inc., incurred in developing this drug. You note, however, that the company expenses Research and Development on its financial statements when incurred, and does not capitalize it.
Can you ethically issue the press release requested by your client?

SOLUTION for Exercise 3-16: Yes. Critics have chosen to express their calculation only based on marginal costs of production. You, in contrast, have chosen to factor in all costs, including drug R and D costs. Your approach is truthful under accepted principles of cost accounting. Financial accounting rules do not necessarily embody the same policy considerations underlying cost accounting or tax accounting.

FOLLOW UP: Would it be ethical to also factor in the R and D that the company spent on other drugs that were unsuccessful, knowing that the industry and the company normally need to incur R and D on, say, three potential drugs in order to produce one successful drug? Yes. To stay in business, companies such as oil companies and drug developers have to factor into their pricing the costs of all of the “losses” sustained on unsuccessful drilling efforts for oil or unsuccessful drug development efforts.

The “Trolley” Problems

17. A runaway trolley will kill five people standing on its tracks if the trolley continues on its present course. However, if you push an electronic switch, you can shift the trolley to an alternate set of tracks where one person standing on its tracks will be killed. Should you push the switch?

SOLUTION for Exercises 3-17: See the solution for 3-19.

18. While standing on a pedestrian bridge above trolley tracks, you notice that a runaway trolley will kill five people if the trolley continues unimpeded on its present course. A fat man next to you is leaning slightly over the side railing of the pedestrian bridge. If you push the fat man onto the tracks below, he will die, but his body will stop the trolley from striking others. Should you push the fat man?

SOLUTION for Exercises 3-18: See the solution for 3-19.

19. Five teenagers with a rare disease are hospitalized and will die unless they receive organ transplants today. A healthy teenager visits the hospital for a health checkup and has routine tests. The test results reveal that the healthy teenager’s organs can successfully save the five dying teenagers. If the healthy teenager’s organs are transferred to the sick teenagers, all five
healthy teenagers will live full lives, but the healthy teenager has a 5% chance of dying during the procedure. The procedures will be performed under anesthesia, so no one will feel any pain. Should a doctor initiate these procedures without the healthy teenager’s consent?

SOLUTION for Exercises 3-17, 3-18, and 3-19. For discussion: All three of the above problems raise the issue of when one should be sacrificed, or potentially sacrificed, for five. Most respondents say “yes” to the first scenario, which appears in question 3-17, but “no” to the second and third scenarios above.

The deontological duty to not physically harm others in close proximity arises in cases 2 and 3, but not case 1. Neuroscientist Joshua Greene of Harvard has suggested that the key difference between case 1 and the others is that our ancestors developed a reflexive distaste for physically touching and harming others, but did not develop this same aversion to using impersonal actions, such as initiating remote devices, because such devices are relatively recent inventions that were not in existence throughout most of history.

FOLLOW UP: There are many variations on these scenarios. Would your answer change if the fat man was the trolley mechanic whose failure to tighten certain bolts on the trolley led to it becoming a “runaway” trolley? What if the fat man was a terrorist who had planted a bomb on the trolley that will explode if the trolley continues to accelerate in speed?

Comprehensive Problems

20. As the Assistant Controller, you have struggled to balance the books at the hospital where you work. Your employer is a tax-exempt, nonprofit hospital that has a superb emergency room and offers free preventative health care to the low-income community it serves. However, by caring for a large number of uninsured patients, the hospital finds it very difficult to generate sufficient fees to cover its costs. Nurses already work for 20% less pay than they could earn at nearby hospitals, and the hospital can barely afford a badly needed paint job for its hallways.

To help remedy this problem, you have prepared the following proposal for the upcoming Board of Directors’ meeting:
PLAN NUMBER 1: The hospital will hire a top kidney transplant surgeon and begin performing kidney transplants. To ensure that the hospital has an adequate supply of kidneys, the hospital will pay donors up to $8,000 for a kidney. According to your budget, the hospital will be able to charge wealthy patients over $100,000 per kidney, plus also bill at premium rates for its medical staff and facilities. Based on your research, your hospital will be the only one in the area that allocates kidneys based on a patient’s ability to pay rather than based on a waiting list or the severity of a patient’s medical needs.

PLAN NUMBER 2: The hospital will set up a website that will allow potential kidney donors to directly auction their kidney to the highest bidder. The hospital will simply charge a 10% service fee. An Internet company that resells tickets to sporting events online already has “auction software” that can be readily adapted to sales of human organs and is willing to provide technical advice for this endeavor at a nominal fee.

PLAN NUMBER 3: As a condition of providing free emergency room care, uninsured patients will be required to sign an organ donor card. According to the hospital’s outside lawyers, this card will create an enforceable promise that will result in uninsured patients donating their organs to the hospital when they one day die. In defense of this plan, you note that most patients are cremated, which results in their organs going unused by others who could have benefits from their transplantation.

PLAN NUMBER 4: Organs harvested from deceased patients will be offered at no charge to wealthy contributors to the hospital’s charitable foundation. Although the hospital will not directly charge for the organs, you forecast that many wealthy individuals in the community will be enticed to become charitable benefactors in order to gain priority access to this donor waiting list.

a. How would a utilitarian evaluate these proposals?

b. How would a deontologist evaluate these proposals?

SOLUTION for Exercise 3-20:

a. A utilitarian would likely approve of these plans, at least in large part, because the kidney donors’ actions suggest that they are made better off and the kidney recipients’ willingness to pay money, directly or indirectly, suggests that they are made better off.

A utilitarian, however, might quarrel with kidneys being auctioned off to the highest monetary bidder. From this perspective, an allocation that maximizes social utility would be preferable, and the allocation of a scarce resource based on money rather than need might lead to suboptimal gains in overall utility.
b. A deontologist likely would oppose these plans as violations of human dignity. Some might approve of Plan 3 because the compulsory donation of one’s organs after death might not be viewed as impairing human dignity.

FOLLOW UP: Many European countries assume “implied consent.” That is, unless a person affirmatively has opted out of donating their organs, they are assumed to have consented. Would you favor such a system? Would it be a better system if those who agree to become organ donors are given priority to receive an organ if they ever are in need? In Israel, organ donors are not paid for their organ donations in cash, but they are given preferred status if they ever need to be an organ recipient.

21. In 2014, Brendan Eich, the CEO of the Mozilla web browser organization, was fired from his job when it was discovered that he had donated $1,000 to a political campaign in favor of a California ballot initiative to ban same-sex marriage. Several groups favoring gay rights threatened to boycott Mozilla’s services after they noticed disclosures of Eich’s political contribution in public records. In defending its decision to terminate Eich’s employment, Mozilla issued a press release that said, “Equality is necessary for meaningful speech. And you need free speech to fight for equality.”

a. Was Eich’s conduct unethical?
b. Was it ethical for gay rights organizations to threaten to boycott Mozilla’s services if it did not fire Eich?
c. Was it ethical for Mozilla to terminate Eich as its CEO?
d. Do you agree or disagree with the statements in Mozilla’s press release?

SOLUTION for Exercise 3-21:
a. No. Eich had the right to express his views on a controversial political matter.
b. No. A business has the legal right to do business with whomever it wishes, but it unethical for it to exert influence that results in a person being punished for exercising his right of free political speech.
c. No., it is unethical for an employer to punish an employee for exercising his right of free political speech.
d. Mozilla’s press release is unintelligible and was issued in a failed attempt to justify its conduct. Some of the most important speeches in history, such as speeches by Abraham Lincoln and Martin Luther King, were instrumental in achieving greater equality at a time when there was great inequality.

FOLLOW UP: Imagine that Eich had made political contributions that instead
were “pro-gay rights” and was he was fired for that conduct. Would any of your answers change?
Should contributions to political campaigns and causes be public information?
Perhaps only large ones should be disclosed, but not smaller ones to minimize the potential impairment of free speech rights.

Supplemental Class Discussion:
The following problem is provocative and potentially controversial. However, by triggering a strong emotional response of disgust, it helps students realize that they often make decisions out of gut feeling rather than out of rational thought:

The county coroner just finished performing an autopsy on a homeless person who recently died. The coroner has a deadline to assist the District Attorney in evaluating evidence in an ongoing criminal rape trial, and she is running late. Therefore, rather than take the time to go to a restaurant, the coroner cooked a portion of the deceased’s bloody flesh over a Bunsen burner and ate it for lunch. No one will ever find out about the coroner’s action. Was the coroner’s action ethical?

SOLUTION: The answer to this shocking situation depends on whether you apply deontological or consequentialist thought processes.
The coroner’s actions trigger an extreme emotional response of disgust. From the viewpoint of deontology, most would conclude that the coroner’s actions are unethical because they do not respect human dignity.
From the more deliberative standpoint of consequentialism, however, many would contend that coroner’s actions made society, on balance, better off. By saving time, the coroner improved her ability to assist the District Attorney in sending an accused rapist to jail. Moreover, notwithstanding the strong emotions evoked by the coroner’s actions, her conduct does not seem to
create any adverse social costs.

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