

Ethics: the soul of a business capstone course

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ABSTRACT

The recent financial crisis once again brings to the fore questions of ethical behavior and decision-making in business. Business education and the way in which ethics is taught and integrated in business curricula is one important element of this conversation. This paper highlights some of the main weaknesses of ethics education in business programs and proposes a concrete approach to developing a business capstone course for students with emphasis on the areas of accounting and finance. This approach includes a community-based service learning component and corresponding integration and synthesis component and explains how such community-based service learning provide more adequate case study material than traditional case study methods.

Key Words: Ethics, Capstone Course, Pedagogy, Service Learning



INTRODUCTION

A capstone course greatly enhances the business school curriculum. It not only enables the reinforcement of fundamental concepts and application of the principles, tools, and methods of the fields comprising the business curriculum, but it also provides an opportunity to tie the tangle and plethora of these into an integrated body of knowledge for students. Ethical decision making by managers, investment bankers, accountants, auditors, regulators, and other stakeholders in the economy had shown signs of decline even before the collapse of Enron and WorldCom due to management malfeasance and investment banks' and auditors' collusion. The reverberating shock, caused by massive losses to ordinary and institutional investors, led to loss of respect and confidence for the various economic actors like top management and auditors. This, in turn, led to calls by business academics and professional bodies to reform business education by greatly emphasizing business ethics. The current 2008-to-present financial crisis, and its negative impact on the job availability and career prospects of students, caused largely by the immoral and illegal behavior of a multitude of economic actors, provides a rich context for framing the principles and application of business ethics in a capstone course. It also makes the course's ethical questions, tasks, exercises, and service learning assignments immediately relevant and of paramount importance to business students.

Razaki et al (2010 A and B) provided a general conceptual framework for a business capstone course and suggested teaching modules in the disciplines of economics, finance, accounting, and business law. This paper is an extension of that pedagogical work in that it places ethics not only at the core of the capstone course, but also emphasizes that the teaching of ethical concepts can and should permeate each and every business discipline as an overarching educational meta goal.

Alonzi et al (2010) and Razaki et al (2010 A and B) have argued that some of the financial crisis' key contributors include agency issues rooted in asymmetric information and its consequent problems of moral hazard. Essentially, mortgage bankers and loan officers exploited their informational advantage for corporate and personal gain in the near term by unwarrantedly lowering credit underwriting standards. The existence of asymmetric information led to their own possession of more decision-relevant information compared to their potential borrowers, owners of the lending firms, the purchasers of the securitized mortgages, and the investors in the secondary securities like Mortgage Backed Securities (MBSs) or Collateralized Debt Obligations (CDOs). "Those loan officers exploited (i.e. the agency issue) this informational advantage by making ever riskier loans (i.e. a moral hazard)" (Razaki et al, 2010 B). These risky loans garnered bigger pay checks/bonuses for loan officers and higher reported earnings for lending institutions. Over time, the sheer number of these risky loans increased the level of defaults and left the lending institutions and primary and secondary investors with enormous losses and even bankruptcy (Razaki et al, 2010 A and B).

This vitriolic nexus of asymmetric information, agency issues, and moral hazard provides a fertile area for improving business ethics education. This paper provides a rationale and content in the area of ethics that business schools can use to integrate into a course. And, it encourages students to observe and internalize the importance of inviolable ethical standards while integrating knowledge of the different business disciplines. The Ethics module has three goals. The first is for students to understand the most common competing value systems in business and the strengths and weaknesses of those systems. The second is for students to understand their own agency in workplace decision-making. The third is for students to understand the human dimension, particularly of marginalized populations, in some accounting-related settings.

SECTION TWO: INTRODUCTION TO THE MODULES AND METHODS

The Ethics module presented here strives for a more integrated approach to ethics than many current business ethics courses provide. Most business ethics text books have two main components. First, they lead students through dry, complex summaries of utilitarianism, Immanuel Kant, John Rawls and a few other theories, devoid of philosophical or historical contextualization of the development of these theories and their conversation partners. Students who are often 18-22 years old and have limited work experience at hourly, entry level positions at chains or big box retailers are then asked to apply these methods to case studies involving a wide variety of business practices at multi-national corporations. Students memorize the theories, practice applying the steps in theories such that they can do so on an exam, and are able to pass their ethics requirement. These courses are often situated in the management department of the university and are typically taught to a classroom full of students from various business disciplines, as well as other students from throughout the university from non-business majors. What does such a course truly prepare business students for?

Central to any business ethics course should be material and exercises that teach students what moral agency is, broadly understood, what it means from the perspective of the individual, what it means within the context of their future profession, and how it relates to ethical decision-making on a corporate and individual level. Once this has been covered, then students must be taught the nature of the conflicts that lead to ethical decisions and what will enhance or impede the exercise and development of their own moral agency. Ethical decision-making, by its very nature, is making a decision within the context of competing values. For example, as a future accountant or auditor, students need to understand many things: 1. the distinction between business law, the professional code for accounting professions, and ethical decision-making; 2. the implications of intra-company power dynamics on their own moral agency and ethical decision-making; 3. the myriad relationships to which they are accountable, personally and professionally, and which will form the basis of most ethical dilemmas, and how to negotiate these conflicts.

The Banking and Finance Module was developed because the recent global economic crisis starting in 2008 has been chosen as the contextual background for the entire business capstone course. This economic crisis is of immediate relevance to and understandable by most business students because it may have severely impacted their families or acquaintances, affected their decision in choice of college, imposed financial aid limitations on them creating the risk of pricing them out of college attendance and, certainly, has had a deleterious effect on their job prospects after graduation. The economic crisis saw breakdowns in the stock market, the financial product insurance market, credit markets, the housing market, etc. This course focuses on the sub-prime mortgage banking debacle. It will show the students the ethical responsibilities of mortgage lenders according to their own Code of Ethics, and the abysmal and flagrant violations of these ethical precepts by mortgage bankers that can properly be considered malfeasance.

SECTION THREE: CONCRETE PEDAGOGICAL MODULES

This paper presents concrete pedagogical modules in the areas of ethics, banking and finance, and accounting that can be used effectively to teach students the following lessons: (1) that the business world and business education are multidisciplinary in nature and should be dealt with on a holistic basis; (2) unethical behavior on the part of various business professionals,

especially managers, leads to long-term economic failures and fiascos; and (3) the proper functioning of capitalistic economies, specially the various securities markets, is dependent on the ethical and properly professional conduct of all parties participating in the national and global business enterprise. This paper extends the various pedagogical approaches detailed in Razaki et al (2010 A and B) by including a Service Learning Project.

MODULE SECTION I: ETHICS PEDAGOGICAL MODULE

A typical perception of business ethics is that its purpose is to offer a way to decide what to do if one encounters a quandary in the business world. The question of what is legal or illegal is one of the first determining factors that people will consider, without questions regarding whether or not the law is right or just. Some will refer to codes of professional ethics to see if there is an infraction. Another question commonly cited by business professionals for making a decision is the “newspaper test” or some variation of “Do you want your mother to read about this in the paper tomorrow?” The textbooks published for widespread consumption in business ethics courses lead students through several philosophical methodologies as though the theories, the people in the cases, and the students themselves exist in a vacuum. There is little narrative or contextualization of how and why the theories were developed and who the conversation partners were. (For example see Shaw, 2010). The theories are simply interchangeable formulae among which one can choose when resolving a later-assigned case study. Ethical decision-making becomes an exercise in choosing the correct theory for a case in which one has no vested interest, for the purpose of completing an assignment. What is attractive about this approach is that textbooks and websites offer a plethora of case study options, there is a measurable “right answer,” and this is how many professors teach the course.

The typical case study method does not prepare students to make decisions in a fast-paced, highly competitive environment, where there is pressure from within the employee’s own organization, from the wider industry, from the stockholders of the company, from the multiple internal and external stakeholders, as well as personal considerations regarding ones professional advancement and personal financial obligations. Additionally, ethical dilemmas often arise as a result of trends that develop incrementally, over time, in response to various market and industry pressures, changes or advances.

The first constructive claim of this section is that a business ethics course must introduce students to the predominant value systems that undergird the political and economic systems in the U.S. These systems have formed students, their families, their friends, and the primary and secondary education they have often received, and therefore their own decision-making, in ways that students are not aware. These systems are often the un-questioned, default “norm” that students react out of.

The first component of the course would focus on some of the theories included in traditional textbooks, particularly libertarianism, and examine how the political, economic and social theories upon which life in the U.S. is based have been internalized by the student. An integral element to this stage of the course is student reflection, writing and discussion of his/her own personal value system and the roots of their values. Students must be able to articulate their own values and where they come from. Recovering the deeper philosophical questions of what does it mean to be human, what is the good life or the life worth living, what is the relationship between the individual and the community, and what is the purpose of the economy in light of various conceptions of the “good life,” provides students with more substantive tools for developing their own ethical standards.

This module provides six project options for inculcating ethical knowledge in business students. Requiring students to complete all of these would probably overburden them. It is suggested that individual professors pick some of the ones described below.

Project Option 1: Before introducing students to the theories described above, students will prepare remarks for class discussion where they identify 3 core values they currently hold relating to economic life in the U.S. and from whom/where they acquired those values. During class discussion the instructor highlights the similarities in student responses. (Prompts for the assignment could include questions relating to “the American Dream,” “how success is judged,” “what the aim of economic activity is,” and so forth.)

Project Option 2: After introducing students to the theories described above, students will prepare remarks for class discussion explaining how their own values are rooted in or differ from the theories covered in course materials.

The second claim of this section is that once students are introduced to the value systems that predominate in the U.S., further theories that challenge the predominant values in business that caused the global economic crisis can be introduced. John Rawls, the concept of prima facie principles and the conflicts they resolve, economic systems and theories critical of free market capitalism, virtue ethics, and even a survey of religious ethics can provide students with an opportunity to consider the deeper strengths and weaknesses of the predominant value systems. The fact of globalization means, in part, that one’s colleagues at work and within an industry come from the widest variety of backgrounds. Being able to understand the existence of systems of thought, their underlying values, and their strengths and weaknesses, better equips the decision-making of the student and future employee.

Project Option 3: Students write a 500 word reaction to each system introduced in the second section of the course, explaining how each system challenges the conventional wisdom and/or their own values identified in the first paper.

Community-based service learning offers students the opportunity to expand their education outside the four walls of the classroom. It is appropriate for a business student in any type of business school because an important component is that students can practice their professional skills. It gives student an opportunity to personally interact with students, non-profit employees and those seeking services at the non-profit. These experiences are supervised at the site and also reflected upon within the context of the profession as well as the context of ethical inquiry. From an ethics perspective it provides them with unplanned, complex, real-world examples of different types of ethical decisions.

In full disclosure, it can be difficult to find ways for business students to actually utilize their skills in a meaningful way in a service project. It can be difficult for non-profit organizations to accommodate the time constraints of the semester or quarter configuration of a university, the inconsistent and sometimes unreliable work/school/commuting/on-campus/social schedule of each student, and the needs of the clients served by the non-profit. (For more information on these issues see Tryon, et. al. 2008). Undergraduate students do not have the professional expertise to provide accounting or financial services on their own. Finally, service learning requires instructors to engage in additional pre-semester/quarter planning, close oversight of students, mid-semester trouble-shooting, relationship-building with non-profit organizations, as well as non-traditional assignments and facilitated group reflection sessions.

In spite of these challenges the third claim of this section is that service learning often effectively brings alive course material and student interest in the material in ways that traditional pedagogical methods do not (Kendrick, 1996) and that students will have a more positive attitude toward the course and be more likely to incorporate what was learned in the

course in the future (Evangelopoulos, et al., 2003). Additionally, although service learning is more common in liberal arts courses, it is becoming more valued in business courses and has been found to be pedagogically useful. One of the most relevant, organized, and easy-to-facilitate projects for all business students, even though it is seemingly more geared for accounting students, is tax preparation services provided by non-profit organizations throughout the U.S. to low income individuals. Chicago, Illinois-based Ladder Up is such an organization. (For more information on tax assistance programs see Long and Kocakulah, 2007). It provides training sessions to students for how to use tax preparation software and a training manual for basic tax preparation. After successfully completing an online test, students attend tax preparation sessions with low income individuals and can pair up with certified tax professionals from the top accounting firms in Chicago to prepare the tax forms. If students are working alone on tax forms, there are certified professionals or Ladder Up employees with experience in tax preparation who will check the student's work before the return is filed. From the perspective of professional development, students are working on real-life tax preparation situations. They also have the opportunity to network with tax professionals and other business men and women who volunteer their time. The students learn about the federal and state tax systems as they relate to low income individuals, unemployment and underemployment issues, the ramifications of language barriers, the ramifications of the complexity of the tax codes, and many other realities not covered in a typical business course. From the perspective of the ethics component, real life case studies are apparent or can be gleaned from the many people's decisions and situations presented during a tax preparation session. Putting the face and story of a person the student has encountered to an ethical dilemma changes the student's emphasis in decision-making. They are able to understand the concept of agency, socially-constructed systems and values, and the difficulty of clearly determining the right, just or good course of action. The more deeply an experience with an individual strikes a student, the less likely the student will accept a course of action for the tax client that the student would not accept for him/herself. Placing themselves or a face at the center of the ethical situation brings alive the ethical decision-making process in a way that traditional case studies cannot replicate. Additionally, many of the situations presented by low income and often-time marginalized populations require the student to question some of the underlying value systems that predominate in some areas of business today, particularly in the U.S. (For alternative to IRS tax preparation service work see Purcell, 2009).

Project Option 4: Students are required to complete twenty hours of service at a tax assistant program (usually includes one orientation and three tax preparation sessions). Before beginning their service work, but after their tax preparation orientation session, students discuss in class the following questions: Have they done service work in the past. If so, why and what did they learn? If not, why? What are their expectations of the service work? What do they expect to excel at in the experience? What do they expect to be challenged by in the experience? After each tax preparation session students prepare remarks for class discussion describing the types of people they encountered (volunteers, clients, etc.) and whether or not their assumptions about each group were correct; what surprised them about each group; what they have in common with members of each group; what differences exist between them and each group; what they learned about the tax code or tax preparation process; what they contributed to the process; what they struggled with personally. At the end of the process the prepared remarks and class discussion should include questions relating to what they learned about state and federal tax codes in the U.S.; what they learned about the tax preparation process; what they learned about low income workers; what they learned about people who help low income workers; whether or not the services offered by the non-profit are valuable to the community; and how the various

theories of the course discussed above would commend or critique their own reflections on their experience.

From a methodological perspective, after the service experience has begun is an ideal time to introduce virtue ethics, which is covered in most traditional business ethics textbooks. Virtue ethics adds a critically important element to ethical considerations—what happens to the agent him/herself in the midst of this decision? The starting point for virtue ethics is not the action, the consequences of the act, or a consideration of duty. Virtue ethics understands the agent as a person striving toward certain ends and becoming a certain type of person through the daily decisions and experiences one has. The understanding of agency within virtue ethics requires the agent to reflect on whether or not they are becoming the type of person they want to become. It is an active process—not something passive that happens to the agent as they work within an industry. Who they are and who they will become are affected by what they do in all of their decisions. Although not specifically developed for business, James F. Keenan, SJ developed a virtue ethics model that accounts for the conflicts in personal decision-making in many business ethics dilemmas and is useful for inclusion at this point in the course (Keenan, 1995). Another important formative element in a virtue framework is searching for role models in business fields. Part of the case study development process is keeping in mind this resolution to acquire a worthy mentor. Students can research inspiring role models, as opposed to focusing on companies or individuals who got it wrong.

Project Option 5: Students prepare a 5-minute description of a person in business who models virtuous behavior. Within the context of this assignment the instructor can determine general profiles of people who must be included. For example, three women, two small business people, two large corporate CEO's, two Latino/a business owners, and so forth.

The final component for classroom purposes is assigning students the task of developing case studies based on their community-based service learning experience and reflection, while also integrating the course materials. The development of the cases requires students to use their own imagination as they integrate their service experience with the course materials to develop case studies. Proposing resolutions to the cases provides an opportunity for comparative methodological discussions, evaluation of competing value systems and the strengths and weaknesses of those systems. Asking students to develop their own case studies also often results in students discussing unethical behavior that they have personally encountered in their own entry-level or service-oriented job experiences, but have been reluctant to reveal in class discussions. This can deepen the understanding of agency, allow further exploration of who one becomes in such a work environment, and facilitate a discussion of the type of job environment within which students wish to work or create in their own entrepreneurial ventures. This also helps students more concretely understand the concepts of and identify moral hazard and information asymmetry.

Project Option 6: Based on the service-learning component, their own work experience or interviews with friends/family, students will construct a business ethics case centered on one particular ethical dilemma that they resolve using one of the methods of the course. These can be shared in small groups so students can discuss the ways in which they might resolve the case and why, as they compare the various methods learned in the course and the corresponding strengths and weakness of the methods.

There are many potential outcomes for the service-learning component described above. First, student engagement in the course should be higher as a result of the experience. As explained above, studies suggest that students are more engaged and learn more in a course that includes service learning. Second, students learn how their technical business skills can be of

service to the community and they see accounting and other business professionals using their skills to serve the community as well. Third, students are made aware of various types of marginalization in the community and some of the reasons for that marginalization. This puts a human face on what they may hear about in sound bites in the media. Fourth, students are able to synthesize and apply the methods of the course to real life examples that their minimal, entry-level, non-technical job experience would not have provided previously. Fifth, students are able to reflect on their own values and responsibilities in light of the course materials and their service experience.

MODULE SECTION II: BANKING AND FINANCE PEDAGOGICAL MODULE

Moral hazard is created when managers make perverse decisions that benefit them personally at the expense of business owners or other parties. Information asymmetry occurs when two or more parties transact while possessing unequal amounts of information about the situation at hand. Information asymmetry enables managers, who have more information than any other party about an entity because they operate the entity, to indulge in behavior involving moral hazard. Razaki et al. (2010) outlined the four areas of moral hazard in the banking industry. They are:

1. Between the bank and the bank's loan customers: Mortgage brokers would target customers with questionable or even poor credit and lure them with the American dream of home ownership though it was not affordable for these borrowers. Ultimately, the borrowers would lose the properties and whatever they put into them and also experience the agony of foreclosure. Yet, the bankers themselves profited from the collection of origination fees.
2. Between the bank and the deposit insurer: As discussed in Razaki et al. (2010), the banks' managers can riskily lower lending standards beyond prudent limits to increase their income from lending fees by generating greater loan volume. This increased riskiness of the bank's portfolio of assets can lead to the initial insurance premium set by the insurer being inadequate for the true risk profile that is unknown to the insurer.
3. Between the bank's managers and the bank's owners: The bank's non-management owners may be unaware of the negative impact on their own wealth caused by the new long-term risk of the loan portfolio due to significant lowering of credit standards by their managers. The bank's managers are perversely motivated to lower credit standards because it leads to short-term bank profits which have a big impact on their annual bonuses and stock options.
4. Between the bank and the buyers of mortgage-backed securities: Most buyers of mortgage-backed securities are not privy to the true risk credit profile of the securities that they are purchasing though that information is known to mortgage bankers. This information asymmetry can create a moral hazard for the buyers of the securities created by bundling the subprime mortgages underwritten by predatory lenders.

Notably in each instance above, the bank's managers had information that the other parties involved did not have (asymmetric information), and that they used that information to create a moral hazard that resulted in their financial benefit. Also, in each instance, while the actions resulting in the moral hazard benefited the managers, the long-term results of the actions were to the detriment of the bank's shareholders. Thus the principal-agent problem facilitated the managers' actions.

If the mortgage bankers and bank managers had just followed the precepts laid out in their own professional code of ethics, there would have been no subprime loan crisis that was partly responsible for the almost total crash of the global economic system. This may be asking too much of individuals who are primarily seeking personal financial wealth with little or no regard for moral hazard. Thus, the mere existence of a code of ethics is not a sufficient condition for legal and moral decision making. These codes must be ingrained into the fiber of the corporate culture through education, enforcement, and a severe penal regime for violators or the entire national and global economic edifice will be severely damaged.

Selected provisions of a mortgage bankers' member code of ethics is reproduced below for the convenience of students. The reasons for which the Mortgage Bankers Association is organized, as stated in the Articles of Incorporation, is to accomplish, among many others goals, the following (Member Code of Ethics - Mortgage Bankers Association of Maine):

- To encourage sound and ethical business practices amongst its members;
- To cooperate with all public and private agencies and the public at large in all matters relating to sounds (sic) mortgage banking.

Some of the duties incumbent upon every mortgage banker who is a member of that Association are:

- Members shall conduct their business in a professional manner, ensuring that their personnel are knowledgeable in the areas of mortgage banking in which they participate and are acting in compliance with sound industry practices.
- Members shall act in conformity with applicable laws and regulations and shall cooperate in every appropriate way with all governmental bodies in the interest of establishing and maintaining an efficient and fair framework for mortgage credit.
- Members shall act in a manner that recognizes that integrity and confidence are essential in the mortgage banking business.
- Members shall accord oral agreements that same sanctity gives to written agreements.
- Members shall preserve the integrity of all parts of loan submission and appraisal report and make full disclosure of all pertinent facts including any interest they may have in the loan project or property.
- Members shall not quote to a prospective borrower interest rates or other loan terms which are not likely to be realized.
- Members shall use all efforts available in servicing investments entrusted to their care to effectively discharge their obligations to both investor and debtor.
- Members shall cooperate with the Board of Directors in furnishing information relative to any investigation of a possible violation of the Canons of Ethics and Standards of Practice

Project . The Code of Ethics for Mortgage Bankers.

Project Description: Perform an internet search of business periodicals and business newspapers to select and analyze the ethical shortcomings of a failed mortgage lender. Prepare a 2-4 page paper after studying, researching, and analyzing the Code of Ethics for Mortgage Bankers on how the following of the code by the bank's lending officers could have reduced the misuse of information asymmetry by bank managers. The goal of the paper is that students will become aware that: (1) Professions develop, and abide, by codes of conduct to carry out their societal tasks legally and morally; (2) Practitioners who follow the dictates of the code of conduct play an essential role in the successful functioning of securities markets by providing reliable financial and operational information; and (3) Codes of conduct encourage managers to

avoid moral hazard by sacrificing their own economic interests in the proper performance of their jobs.

SECTION III: ACCOUNTING PEDAGOGICAL MODULE

The overarching purpose of this proposed Accounting and Auditing module is to drive home the crucial point that accounting and auditing are “ethics-based disciplines” at the most fundamental level. Accountants and auditors should perform all their duties and tasks under the overriding ethical principles embedded in their Codes of Conduct. They should also understand that Codes of Conduct give only limited guidance in many of the ethical dilemmas faced in these professions, so further ethical sources must be sought. Razaki et al (2010 B) stated that an outcome of the business capstone course should be an evolution from “the student’s conception of accounting from blind application of rules to accounting’s crucial role as information guardian that ascertains and disseminates relevant information that levels the unlevel informational playing field inherent in the presence of asymmetric information.” A capstone course that teaches a robust comparative methodology and a routine system of reflection on decision-making within the profession and within one’s current daily work situation, coupled with suggestions for resources to be consulted in the future will advance the ethical formation and desired outcomes for future accountants and auditors.

It is important for students in a business capstone course not only to “relearn(ing) the fundamental philosophical reasons for the existence of financial accounting rules, their users and uses, and the role of auditing in society” (Razaki et al 2010 B), but also to realize that without ethics permeating their every decision, the basic goals of accounting and auditing cannot be accomplished. This module will enable students to fully comprehend the vital role of ethics based accounting/auditing in ensuring the proper functioning of securities markets. Further, it will shed light on how some problems arising from information asymmetry and moral hazard may be lessened by following the ethical dictates of professional Codes of Conduct. Students will perform two activities.

Portions of the code are being provided below as a sample because of its brevity and the scope of restrictions that practitioners would have to observe to perform their duties in a professional and ethical manner.

Members of IMA shall behave ethically. A commitment to ethical professional practice includes overarching principles that express our values, and standards that guide our conduct.

PRINCIPLES

IMA's overarching ethical principles include: Honesty, Fairness, Objectivity, and Responsibility. Members shall act in accordance with these principles and shall encourage others within their organizations to adhere to them.

STANDARDS

A member's failure to comply with the following standards may result in disciplinary action.

I. COMPETENCE

Each member has a responsibility to:

1. Maintain an appropriate level of professional expertise by continually developing knowledge and skills.
2. Perform professional duties in accordance with relevant laws, regulations, and technical standards.
3. Provide decision support information and recommendations that are accurate, clear, concise, and timely.
4. Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.

II. CONFIDENTIALITY

Each member has a responsibility to:

1. Keep information confidential except when disclosure is authorized or legally required.
2. Inform all relevant parties regarding appropriate use of confidential information. Monitor subordinates' (sic) activities to ensure compliance.
3. Refrain from using confidential information for unethical or illegal advantage.

III. INTEGRITY

Each member has a responsibility to:

1. Mitigate actual conflicts of interest and regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.
2. Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
3. Abstain from engaging in or supporting any activity that might discredit the profession.

IV. CREDIBILITY

Each member has a responsibility to:

1. Communicate information fairly and objectively.
2. Disclose all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, analyses, or recommendations.
3. Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.

Project I. The Code of Ethics for Management Accountants.

Project Description: Perform an internet search of business periodicals and business newspapers to select and analyze the ethical shortcomings of a failed mortgage lender. Prepare a 2-4 page paper after studying, researching, and analyzing the Code of Ethics for Management Accountants on how the following of the code by the bank's accountants could have reduced the

misuse of information asymmetry by bank managers. The goal of the paper is that students will become aware that: (1) Professions develop, and abide, by codes of conduct to carry out their societal tasks legally and morally; (2) Practitioners who follow the dictates of the code of conduct play an essential role in the successful functioning of securities markets by providing reliable financial and operational information; and (3) Codes of conduct encourage managers to avoid moral hazard by sacrificing their own economic interests in the proper performance of their jobs.

CONCLUSION

Centering the capstone course on the global economic crisis and the debacle in sub-prime lending enables students to see how the concepts taught in business courses actually apply to the real world. Concrete, fact-based pedagogical modules provide greater relevance to them than hypothetical case studies or simulations. Students observe how critical business issues impact each of the disciplines, and how ethical issues arise in the banking industry. It further drives home the lesson that ethical conduct by all business and regulatory professionals is a necessary condition for economic prosperity of individual business firms as well as the national and global economies.

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