

“Speaking Truth to Power” Assignment

Advanced Topics in Taxation (ACCT 3500) includes a two-part project designed to help accounting students develop and practice essential communication skills in a setting involving discovery of potentially unethical or illegal financial activities. Specifically, students draft a memo to a hypothetical professional superior raising concerns about potential financial misconduct. This “Speaking Truth to Power” learning activity consists of two parts:

1. Attending an in-class presentation from an actual high-profile whistleblower. The whistleblower comes to University of Iowa (virtually this year) to present to, visit with, and answer questions of students in ACCT 3500. He will be in our regularly-scheduled class on **December 8, 2020**.
2. A required writing assignment. Students receive a scenario (below) depicting a situation in which they learn that ethically questionable (and/or potentially illegal) accounting/tax financial activities have occurred within the organization. The evidence in the scenario suggests that superiors within the organization may be involved in the misconduct. The students’ assignment is to draft a memo email to be sent to a superior to raise the concern.

Background and Relevance to the Real-world

Almost as a matter of course, accounting students across the nation who pursue professional financial careers will confront situations fraught with ethical dilemmas and/or illegal financial activities. Accordingly, it is critical for students to prepare for and learn appropriate and effective ways to navigate such situations. This project is a straightforward, but meaningful, approach to implementing the first steps of such preparation.

The Scenario

After graduating from University of Iowa, you go on to work in the accounting and finance profession, advancing in your understanding of accounting and business and excelling professionally. After several years with your initial employer, you receive opportunities to move on to new and exciting professional opportunities. You have now worked for Palpatine Corporation, a large publicly-traded company, for seven years. You are earning a great income and just finished building your dream home. The stock options that Palpatine management granted to you as part of your compensation package some five years ago are set to vest in six months. Once exercised, the value of these options alone will be eight times what your starting salary was coming out of college.

You report directly to the controller of the company. As part of your regular professional responsibilities, you come across documentation that looks very concerning. From what you see, it is clear the company is reporting artificially high earnings by overstating sales and managing (understating) expenses. This pattern appears to have occurred in several quarters over the past 2.5 years. As you look further into the matter, you find that the company’s corporate taxes for last year – based on fraudulent income – may actually exceed the company’s real income. As you sit at your desk, you remember being copied on an email last week from the CEO who has encouraged the CFO and Controller to “do whatever it takes” to meet next quarter’s analysts’

earnings expectations. Now you have been asked to make journal entries capitalizing several expenses into inventory, expenses you know should be recognized on the income statement. You know several of your colleagues in the accounting department have been asked to make similar entries in recent quarters. One of them was recently fired, which seemed odd to you, as they were one of the most qualified accountants in the department.

Your assignment is draft an email, addressed to the chair of the board of directors, to express your concerns about what you have observed and been asked to do. Part of your concern is knowing that the chair of the board of directors is a close personal friend of the CEO.

Name of Chairperson of the Board: Rachel Powers