### SYLLABUS LEB 380.17

# LEGAL LIABILITY AND REGULATION OF ACCOUNTANTS FALL 2009 PROFESSOR ROBERT A. PRENTICE

TTh 8:00 - 9:30 UTC 4.122 UNIQUE #03695

**OFFICE:** CBA 5.256

**OFFICE HOURS:** MWF 9:00 - 11:00, TTh 10:00 - 11:00 (and by appt.)

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#### NATURE AND PURPOSE OF COURSE:

Public opinion of the accounting profession has justifiably sunk in recent years. You, as part of a new generation of accountants, have the opportunity to rescue the profession from the excesses of its recent past by dedicating yourselves to acting ethically and This course aims to assist you in achieving that goal by familiarizing you with the AICPA's Code of Professional Conduct that will guide much of your professional life. The course also introduces you to a web of state and federal laws--including especially federal securities laws administered by the SEC and the newly-created PCAOB, and federal tax laws administered by the IRS. If you violate professional standards and state and federal laws, you not only act unethically, you also court substantial legal liability. Accountants seldom intentionally choose to act unethically; more frequently, they simply do not recognize the ethical implications of situations they encounter. By studying literally hundreds of cases, you can learn from the mistakes of others and have the tools to avoid those mistakes when you encounter similar situations. We will study methods for improving your odds of acting ethically in difficult situations and of minimizing liability should errors nonetheless occur.

#### MATERIALS:

- (1) **THE ETHICAL AND LEGAL ENVIRONMENT OF ACCOUNTING** by Robert Prentice (3d ed. Thomson Custom Publishing 2008).
- (2) **Course Outline** (Fall 2009) (Parts I and II)

  Note: Part I is currently available at the Paradigm copy shop(at 24<sup>th</sup> & Guadalupe). Part II will be available by mid-semester for the second half of the course.

**GRADING:** There are several components of the grading system in this course.

<u>Class Participation:</u> Your class participation will be graded in terms of (a) cases that you <u>brief</u> in class (these will be assigned in advance); (b) your answers to questions asked by me in class; (c) questions you ask of me in class; and (d) your participation in general class discussions. Important Note: class participation points can be deducted for counterproductive classroom activity—most specifically, disrupting the class by inappropriately talking to your neighbors.

<u>Briefs:</u> Briefs are aptly named. A brief is to a case what a book report is to a book. Your class version of a brief should contain: (i) the name of the case, (ii) the essential facts, (iii) the disposition (if any) of the lower court proceedings, (iv) the issue(s) presented to the court, (v) the resolution of that issue, and, most importantly, (vi) the court's rationale for deciding the case as it did. If you have any questions, I have several examples of good briefs on file in my office. I want everyone to e-mail their brief to me after presentation in class. I will collect them and periodically e-mail them to the class.

Please stand when you present your brief in class. Also, please read as little as possible. Be familiar with the case and present it in as conversational a style as possible. Brief, clear, and conversational are three good attributes of a brief presentation.

<u>Examinations:</u> There will be <u>two</u> examinations. They will be open-book, open-note. The exams will contain essay questions, short-answer questions, and some objective questions. Virtually all questions will be based on real cases. You will be asked to apply the principles we have studied in class to resolve the issues presented in these new cases.

The First Exam is scheduled for Wednesday, October 21, 7-10 pm. The Second Exam (non-cumulative) will be held at the regularly scheduled final exam time, Saturday, December 12, 9-noon. Plan your holiday travel plans accordingly, and start studying now.

#### Distribution of Points:

| First Exam           | 35%  |
|----------------------|------|
| Second Exam          | 35%  |
| Research Projects    | 15%  |
| Class Participation_ | 15%  |
| Total 1              | L00% |

**GRADE DISTRIBUTION:** I grade on the curve. Although I reserve the right to adjust, given the class's overall performance, I intend to follow (roughly) the following distribution:

As 50% (or less)
Cs as appropriate
Bs remainder

I will also be giving pluses and minuses in accordance with the new McCombs policy.

http://www.utexas.edu/ogs/student\_services/academic\_policies/plus\_m inus.html. I'm sure you'll find that a "D+" is much more palatable than a plan old "D".

ATTENDANCE: I'm mean. I require attendance. I even have a seating chart. You may miss class 3 times for any reason. Any additional missed classes will require an explanation evidencing a substantial level of exigency. Absent a good excuse, a fourth miss will subject you to academic sanction, involuntary transfer to A&M, or something worse (if I can think of something worse than transfer to A&M). I wouldn't chance it if I were you.

ASSIGNMENTS: Assignments will be made in class (and, when I remember, posted on Blackboard). There will be a fair amount of reading in this course, but I optimistically expect that all students will read all assignments. I have ways of determining whether this is actually the case during the class participation portion of our festivities. Note: the 15% class participation portion of your grade can loom disproportionately large because (a) I grade on the curve, and (b) typically there is a larger spread among students in class participation grades than in exam grades.

RESEARCH PROJECTS: Over the years I've had students do term papers and projects of various types. Instead of the big team term paper that I've often assigned, this semester my plan is to from time to time give you a variety of smaller research and writing projects to do. There will not be one big paper. Rather, there will be three separate individual research assignments. I'll try to be inventive about this. The goal is to have you hone research and writing skills and occasionally show a little creativity. All writing assignments are ethics-related and may depend upon developments in the news.

**ONLINE SOURCES:** If you have trouble with legal terminology, there are a number of free online law dictionaries, including at <a href="http://dictionary.law.com/">http://dictionary.law.com/</a>.

**TECHNOLOGY POLICY:** No laptops in class. No cell phones. No Blackberries. No surfing the net. No texting. No nothing. Sorry. Those who preceded you have abused the privilege. You are paying for their sins.

A course outline (subject to minor modification upon due notice) follows.

## COURSE OUTLINE LEB 380.17 REGULATION AND LEGAL LIABILITY OF ACCOUNTANTS

1. AN INTRODUCTION TO ACCOUNTING'S ETHICAL AND REGULATORY ENVIRONMENT

#### PART ONE: ACCOUNTING'S ETHICAL ENVIRONMENT

- 2. CORE ETHICAL PRINCIPLES FOR THE ACCOUNTING PROFESSION
- 3. INDEPENDENCE RULES FOR AUDITORS
- 4. ETHICAL AND LEGAL GUIDELINES FOR TAX PROFESSIONALS
- 5. ETHICAL GUIDELINES FOR CONSULTING SERVICES
- 6. ETHICAL AND LEGAL GUIDELINES FOR FINANCIAL PLANNING AND ADVISING
- 7. ETHICS FOR MANAGEMENT ACCOUNTANTS

#### PART TWO: ACCOUNTANTS' LIABILITY UNDER STATE LAW

- 8. DEFAMATION LIABILITY
- 9. FRAUD LIABILITY
- 10.BREACH OF FIDUCIARY DUTY LIABILITY
- 11.BREACH OF CONTRACT LIABILITY
- 12.NEGLIGENCE AND NEGLIGENT MISREPRESENTATION LIABILITY
- 13. DECEPTIVE TRADE PRACTICE ACT LIABILITY

#### [Mid-Term Examination]

#### PART THREE: ACCOUNTANTS' LIABILITY UNDER FEDERAL LAW

- 14.1933 SECURITIES ACT
- 15.1934 SECURITIES EXCHANGE ACT: CORPORATE DISCLOSURE
- 16.1934 SECURITIES EXCHANGE ACT: INSIDER TRADING
- 17. THE SEC, SARBANES-OXLEY, AND THE PCAOB
- 18.RACKETEER INFLUENCED CORRUPT ORGANIZATIONS ACT
- 19. FOREIGN CORRUPT PRACTICES ACT

#### PART FOUR: LIMITING LIABILITY

20.RISK-MINIMIZING PRACTICES 21.ETHICS: WALKING THE WALK

[Final Examination]

#### SCHOLASTIC DISHONESTY.

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course an/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University,

policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <a href="http://www.utexas.edu/depts/dos/">http://www.utexas.edu/depts/dos/</a> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Note: The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.