

# Ethics In Practice Case Study Application

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Webinar Four

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# Session Outline

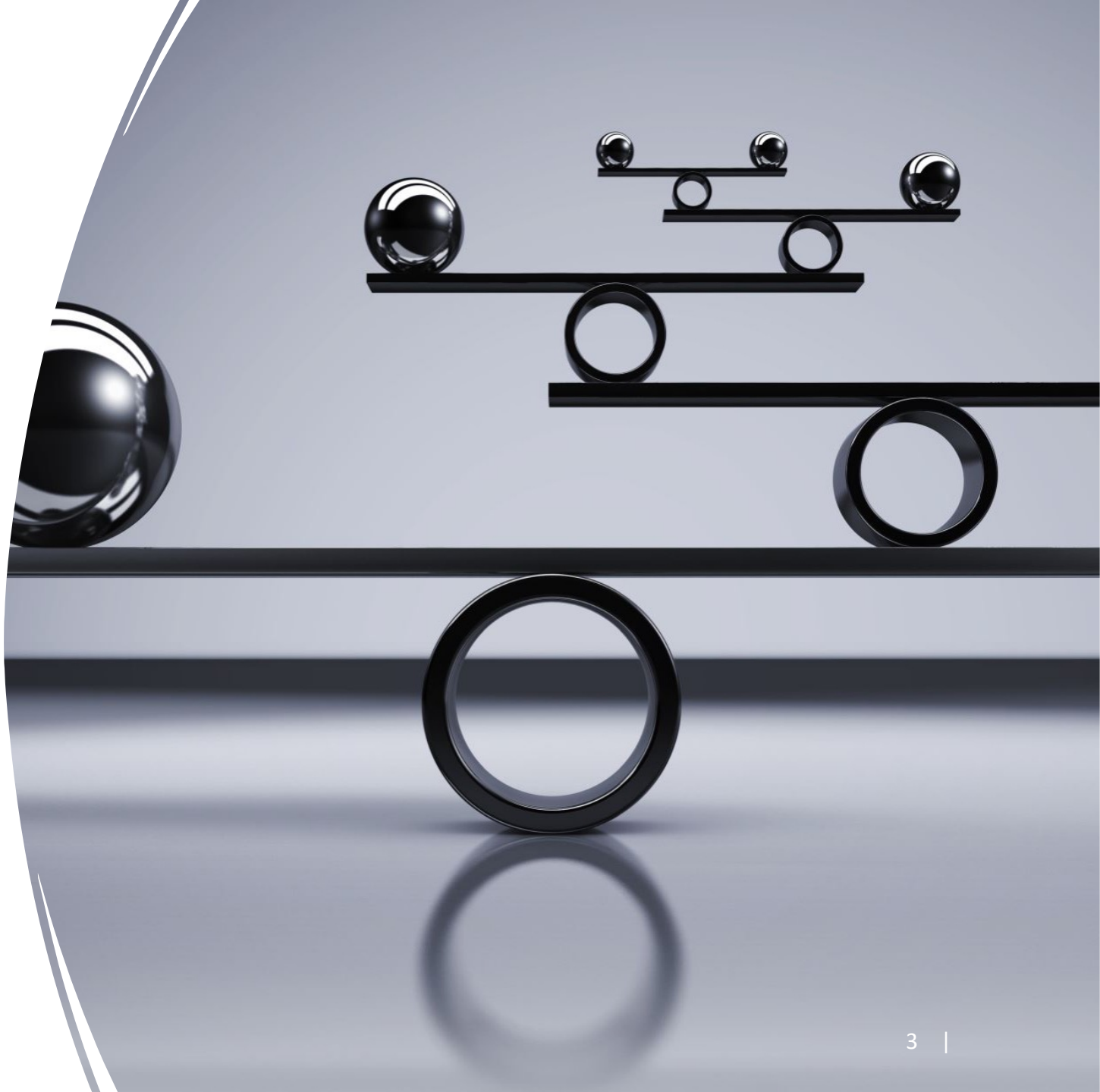
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- A review of ethical theories and principles
- A review of biases impact on ethical behaviour
- The application of the Ethical Decision-Making Framework (EDMF)
- Applying theories, principles and the EDMF to a case study



# 1. Ethical Theories and Principles

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# What is ethics?

- Moral principles that govern a person's behaviour or the conducting of an activity
- The branch of knowledge that deals with moral principles

*Oxford dictionary*

- Rational justification for moral judgments
- What is morally right or wrong, just or unjust



# Ethical Theories

## Teleological

### Outcome dependent

#### Consequentialism/Utilitarianism:

- Utility → Maximising happiness, justice (minimise pain) Greatest good for the greater number of people
- Framework common in business setting
- Rule utilitarian (code of rules)
- J Bentham & JS Mills
- Action centred

**'The end justifies the means'**

## Deontological

### *Deon* or duty based

- Fulfilling duties, meeting obligations
- Following a set of rules or principles
- E. Kant
- Categorical Imperative → 2 formulations
  1. Maxims (universal law)
  2. Treat people at ends not means
- Action centred

**'The end does not justify the means'**

## Virtue Ethics

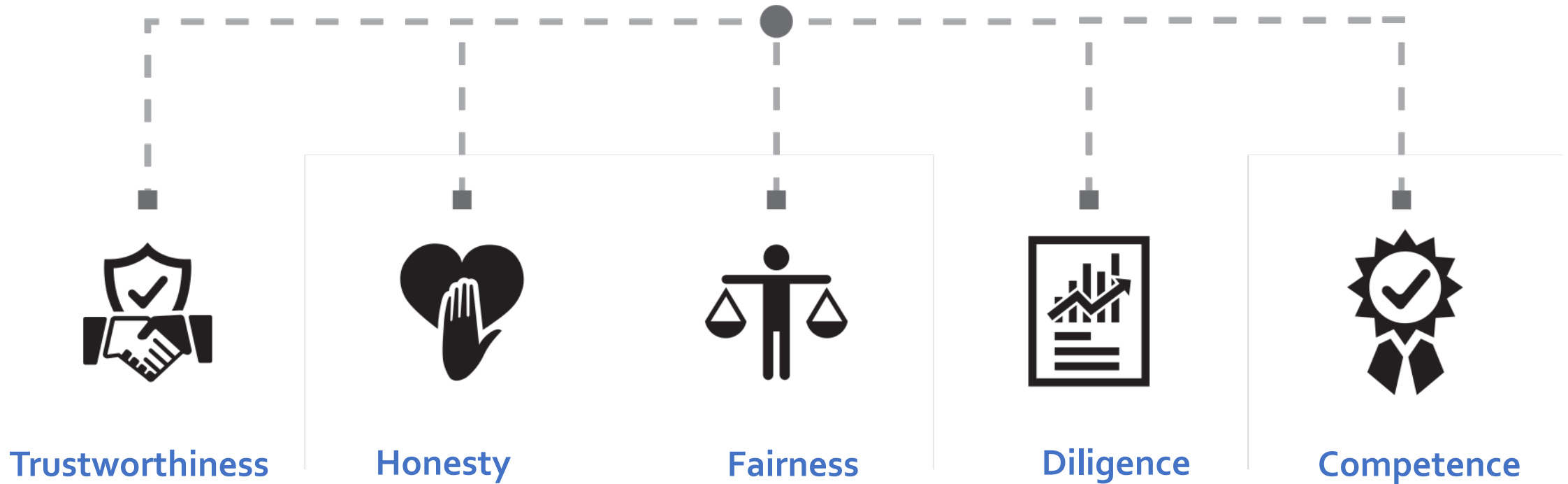
### End goal: human flourishing

- Ethical virtues - focus on character – what our actions tell us about who we are. What virtues do we aspire to have?
- Oldest ethical theory from ancient Greece (*Aristotle*)
- Four Cardinal Virtues (courage, temperance, Justice, wisdom), modern V/Theorist added more
- Vices → Deficiency & Excess
- Agent Centred

Consider the usefulness & limitations of each of the theories when dealing with ethical dilemmas

# FA Code of Ethics

- The Five Values

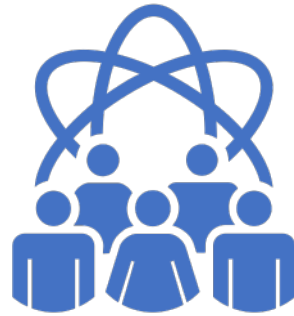


# FA Code of Ethics

Twelve Standards - Covering the following four areas



**Ethical  
behaviour**



**Client  
care**



**Quality  
process**



**Professional  
commitment**

# APESB Code for Professional Accountants

- APES 110 Code of Ethics for Professionals Accountants
- Fundamental principles
  - Integrity
  - Objectivity
  - Professional Competence & Due Care
  - Confidentiality
  - Professional Behaviour
    - Obligations
    - Reputation of the profession



# Improper Framing

- Impact on moral awareness

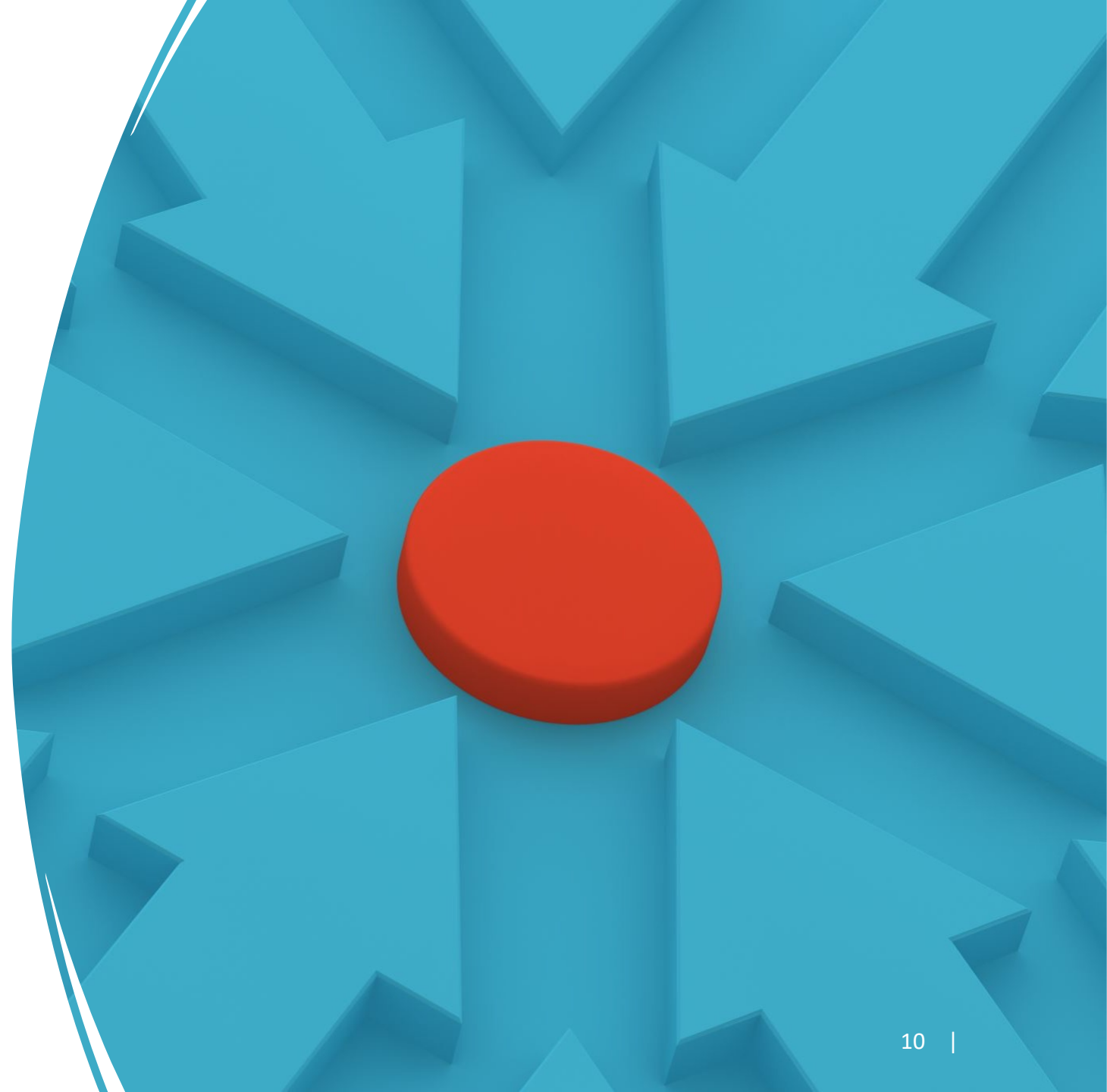


Ignoring the ethical implications of the situation



instead, only recognising the economic and/or legal implications of the situation.

## 2. Biases Impact On Ethical Decision Making



# Cognitive Biases

OVER 180 COGNITIVE BIASES (BIASES CODEX)



EFFECT ALL PEOPLE ALL THE TIME



ABOUT HOW WE PROCESS THE INFORMATION



USEFUL AS SHORTCUTS BUT CAN LEAD TO LOGICALLY  
BAD OUTCOMES

# Cognitive Biases



## Conscious Bias

We are aware of them

Can be visible or invisible

Can be accessed

*(Explicit – above the surface factors)*



## Unconscious Bias:

Outside our awareness and control

Difficult to access or be aware

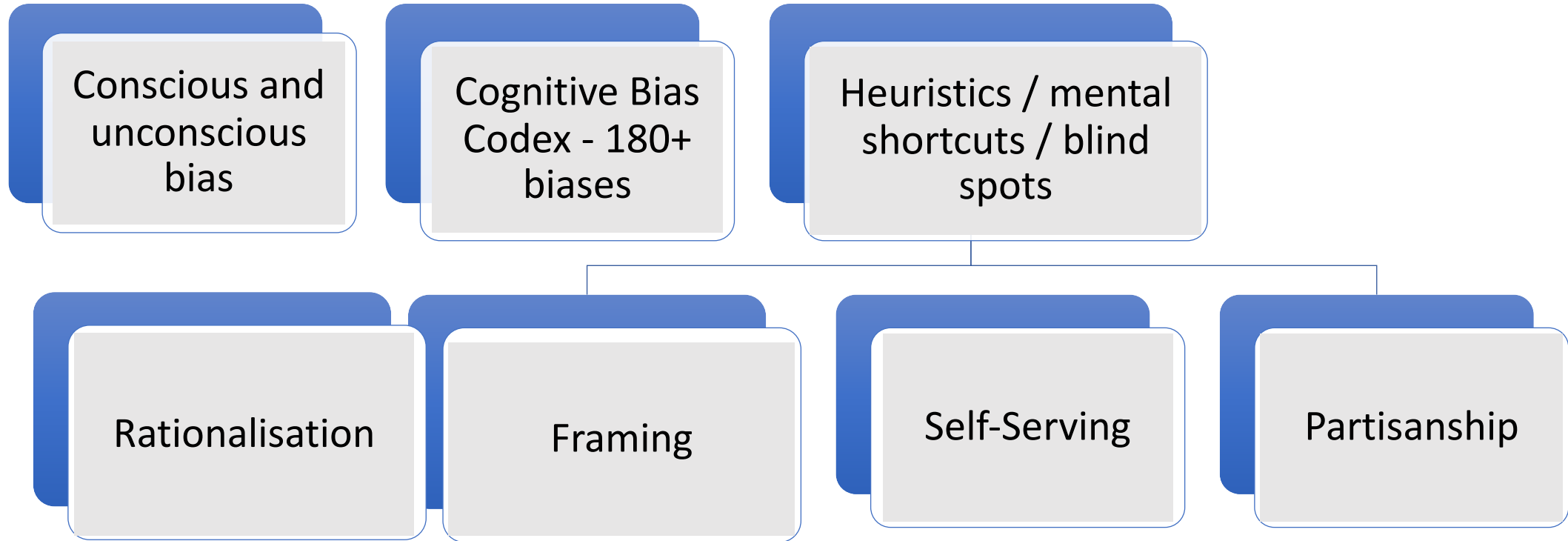
Can influence our action more than conscious biases

*(Implicit – below the surface factors)*

A key part of self-awareness is to become

**conscious of unconscious biases and try to mitigate them**

# Behavioural Biases – Awareness is Key!



**Take the time to question, analyse and reflect !**

# Rationalisations

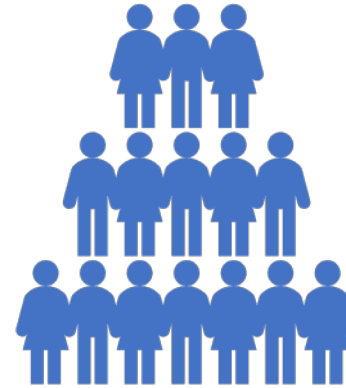
- Moral Rationalisation
- Moral Rationalisation is a cognitive process that is used by individuals to convince themselves that their behaviour does not violate their moral standards.
- Rationalisations permit a person to maintain their moral identity intact as well as avoid experiencing the emotions of guilt, or anticipatory shame or embarrassment. It can be used to justify both small unethical acts as well as serious atrocities

(Tsang 2002)

# Morality and Self interest



Morality involves concern for the interests of others which can come at the expense of your interests



The main concern with self-interested motivation, is when they lead people to act at the expense of others



# 3. Ethical Decision - Making Framework

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# Ethical Decision Making

**INITIAL AWARENESS OF AN ETHICAL ISSUE  
(SENSITIVITY)**



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graph TD; A[INITIAL AWARENESS OF AN ETHICAL ISSUE (SENSITIVITY)] --> B[LEADING TO JUDGMENT]; B --> C[FORMING AN INTENTION TO ACT (MOTIVATION)]; C --> D[ACTUAL BEHAVIOUR];
```

The diagram illustrates a four-step process for ethical decision making. It consists of four horizontal bars of decreasing length, arranged from top-left to bottom-right. Each bar is connected to the next by a downward-pointing arrow. The bars are colored in a gradient from orange to grey. The text inside each bar is in white, bold, uppercase letters.

**LEADING TO JUDGMENT**

**FORMING AN INTENTION TO ACT (MOTIVATION)**

**ACTUAL BEHAVIOUR**

# Ethical Thinking

- Ethical Thinking implies an ability to:

Think

Think critically

Recognise

Recognise issues or practices that have moral content

See

See beyond our own personal experience

Address

Address issues from all sides

Consider

Consider the consequences of decisions, whether intended or unintended

Arrive

Arrive at a conclusion based on a systematic analysis of these arguments

# Ethical Decision-Making Framework (EDMF)

- Why we need an EDMF



Analyse, facilitate  
decision making



Consistency



Ability to reflect



Ethical and critical  
thinking

# Ethical Decision-Making framework (EDMF)

- Spiral Model

## Specify

the problems and the facts of the case

S

P

## Identify

the choices or options available

I

R

## Act

effectively with clear plan and specific objectives

A

L

## Principles

and values bearing directly on the case should be noted

## Review

the options in light of principles

## Learn

what you can by evaluating the results and outcomes

...and reflect

# Ethical Dilemmas Vs Moral temptations

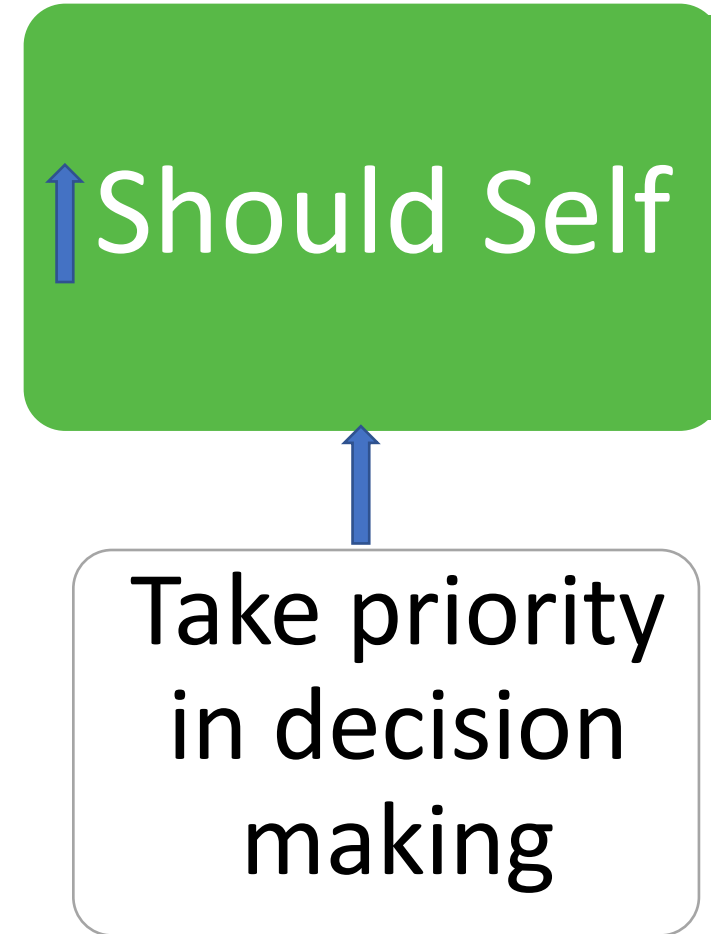
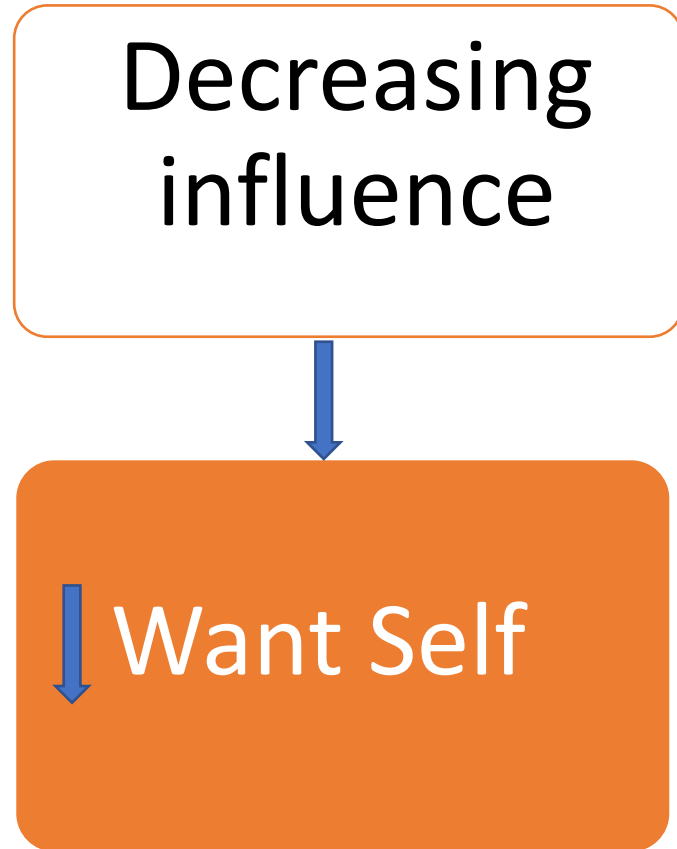
## Ethical Dilemmas

those more challenging situations involving “right versus right” or “wrong versus wrong” alternatives

## Moral temptations,

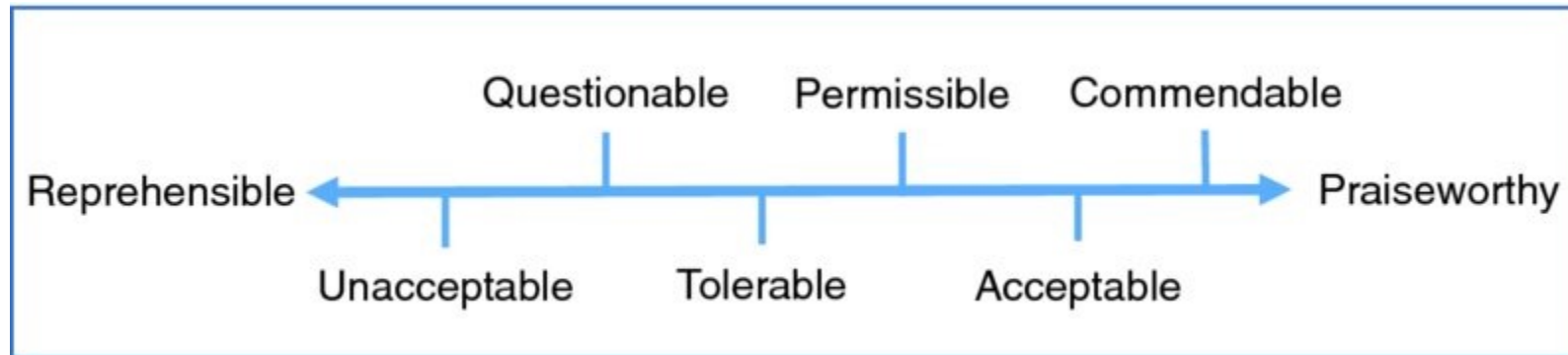
Involve “right versus wrong” alternatives linked more directly to our self-interest

# Ethical Actions



# Ethical Continuum

- The shades of grey





## 4. Application To Cases

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# Hypothetical Ethical Situations/Dilemmas

- Key points and suggestions for your consideration.



Please note the following slides are merely designed to highlight - at a **high-level** - ethical situations and considerations surrounding these situations. We will mainly provide high level commentary to allow you to expand and broaden your ethical thinking and enhance your ethical vocabulary.



The following slides are not to be taken in any way as a template to address any issues you may be facing now or in the future as ethical issues may and can differ on a **case-by-case** basis based on the circumstances, environment and stakeholders involved, etc.



Therefore, each ethical situation or ethical dilemma you come across needs to be addressed **on its own merits and on a case-by-case** basis, paying thorough **consideration to each of the situations you may come across based on the situation's specific facts and circumstances and serious consideration to all the stakeholders' alternative and potential consequences, etc.**



As a potential suggestion, where possibly applicable and appropriate, try to seek advice, from your profession, managers, trusted friends/colleagues and/or mentors who have high level of ethical standards to help you make an informed decision and follow an ethical decision-making framework.

# Application to Cases

- Commentary and issues to consider



Ethical theories →  
(Teleological, Deontological,  
Virtue ethics)



Code of ethics → (FA Code of  
Ethics)



Biases → (Influence and  
awareness)



Moral Framing → (Danger of  
improper framing)



EDMF → (Process and  
consistency)



*Consider the possibility of  
seeking support (mentor,  
profession, etc.)*

# Case Study One

- Conflict of interest
- Your clients Georgie and Mike came to meet with you and to let you know that they are planning to separate.
- They have been your clients for many years looking after their SMSF and doing the accounting business for Georgie's dance school. Georgie has been your client since she has first established her dance school business 20 years ago long before she met and got married to Mike. Your work on the practice is mainly for Georgie and her business, she is the primary income earner. Mike works part time in a café as he helps with the house and raising the kids.
- Consider the ethical issues particularly considering Georgie and Mike's separation.

# Case Study Two

- Client instruction
- Joe is one of your clients, he runs a bakery business. Joe came to see you, and he asked you to set up an SMSF for him, his wife and 2 children as he wants to make a large contribution on behalf of himself and the family to purchase a property in the fund.
- Joe is a nice guy and has been your client for many years, but he is not the best when it comes to being organised, He is always late with his BASs and tax returns. Joe admits paperwork and organisation are not his thing.
- When you tried to get more information from Joe to allow you to explain to him what's involved, Joe turned around and said "I have been your client for many years. I'm asking you to set up the SMSF for me, I'm a businessman and I know what I'm doing. Don't bore me with the details just do it and tell me where to sign I don't have time for this"
- What are some of the ethical and other considerations?



Wrap up

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# Wrap up

## Key Points

### Ethics is rarely black and white

- Ethical dilemmas can be difficult and complex to deal with
- The usefulness of ethical thinking and EDMF
- Needing more than just good intention

### Ethics and biases

- Recognising the tension between ethics and self interest
- The importance of bias awareness and to recognise their impact
- Moral rationalisation

### Ethics in practice

- Education can assist in ethical awareness
- The power of building habits and the ethical muscle memory
- become a regular practice and not just something we consider when we are morally challenged

# Wrap up

## My Final thoughts

It's essential to maintain moral humility and curiosity and to continue to engage in ethical and critical thinking and ask questions.

Maintaining consistent ethical behaviour requires more than just good intentions.

Professionalism requires not only competency but ethical behaviour and a responsibility for the well-being of others and a commitment to the public good.

**Public trust is paramount for a sustainable profession.**

# Questions

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