



## **Whistling While You Work: The Story of One Controller (WWYW)**

### **Teaching Note**

#### **Introduction**

WWYW is designed to help students increase their critical thinking skills by exposing them to the pressures and decisions faced by a corporate controller when asked by her CFO to commit financial statement fraud.

#### **Recommended Course Adoption Plan**

It is recommended that instructors assign the WWYW e-case as an out-of-class assignment in which students are required to review the 20 minutes of video and accompanying text. Instructors can choose to break up the learning modules over the course of 2-3 class periods or use all learning modules at once. The most effective way to use WWYW is as follows:

1. Assign the WWYW e-case during a class meeting.
2. Discuss the WWYW e-case with your students, in class, on the designated due date. You may use either the:
  - a. Helios Digital PowerPoint slides for this discussion;
  - b. Helios Digital suggested discussion questions.
  - c. Module multiple choice questions.<sup>1</sup>
3. Choose one of the recommended WWYW writing assignments (see p.3)
4. Grade and incorporate into your course syllabus accordingly.

For instructors with limited time for in-class discussions, we recommend (in lieu of #2 above) using the discussion thread feature common to most course management systems (e.g., Blackboard, Moodle, etc.) for the purposes of posting discussion questions. In addition to mitigating in-class time constraints, this approach has several advantages:

1. It ensures 100% class participation in the discussion;
2. It provides the students and the instructor a means for a synchronous interaction on the topics;
3. It provides an additional opportunity to evaluate students' writing skills.

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<sup>1</sup> These multiple choice questions can appear after each learning module or at the end of the e-case.

## **WWYW Learning Modules**

WWYW is comprised of the following learning modules:

### Chapter 1: Introduction

This chapter introduces the learner to former corporate controller and CPA, Jackie McLaughlin.

### Chapter 2: The Beginning

Jackie discusses her company's industry and how she was pressured to commit financial statement fraud.

### Chapter 3: The 400 Employees

Jackie's CFO continued to pressure her to commit financial statement fraud and often reminded her that her fellow co-workers would lose their jobs if she did not commit the fraud. This chapter discusses Jackie's dilemma of preserving jobs while at the same time maintaining her personal ethics.

### Chapter 4: The M&M's: Mike and Mark

This chapter provides background information on Jackie's CEO and CFO.

### Chapter 5: Potential Red Flags

This chapter discusses the red flags that Jackie noticed as she reflects back on her experience.

### Chapter 6: Growing Pains

This chapter discusses the pressure the company was facing due to their focus on growth. The CEO and CFO's desire for rapid growth was negatively impacting their cash flow.

### Chapter 7: More Money, More Problems

This chapter further discusses how the company's continued focus on growth increased the internal pressure from senior management to commit financial statement fraud.

### Chapter 8: My Decision

This chapter begins to review Jackie's rationalization to whistle-blow.

### Chapter 9: My Tipping Point

This final chapter discusses Jackie's whistle-blowing strategy and the conclusion of the story.

## Recommended WWYW Assignments

The following assignments are recommended:

1. WWYW reflection research paper
2. WWYW in-class discussion questions
3. WWYW multiple choice questions

### Reflection Research Paper

It is recommended that instructors assign a 2 to 3 page reflection paper writing assignment which could account for 10 to 15% of the course grade. The following topics would make interesting reflection papers:

1. Assuming you begin your career in public accounting, how appealing would it be to you to go and work for a small, but growing, company like this and be in charge of accounting? What are the potential rewards? What are the downsides? Would it bother you if the owners lacked much accounting knowledge as is the case with Jackie's bosses?
2. Many of you will go into public accounting. One thing to prepare for is the likelihood that a controller or accounting manager may give you the "run-around" when you're asking questions. How will you know whether they are doing this to you? And how might you handle it?
3. In one of the final video clips, Jackie discusses how an audit may be ineffective if managers do not truthfully represent what's going on. In your view, how much responsibility falls on the auditors versus the company management in terms of the quality/effectiveness of the audit?
4. In Chapter 10, Jackie makes a point about how education focuses on the perpetrators as a scare tactic. Instead, she recommends giving students tools to do the right thing while maintaining your job. What are some things that you would like for accounting/ethics professors to do to help you prepare for these situations?
5. If you could write a letter to Jackie, what would you ask her? Please list 2 or 3 questions you might have asked her based on the case.

## WWYW Discussion Questions

The following discussions questions have been developed to facilitate either classroom discussion or online on a discussion board.

- 1) Why did Jackie's CFO want her to reduce the allowance for uncollectible accounts? What impact would this have on the balance sheet and income statement?
- 2) Why do you think the CFO's arguments were so convincing (at least initially) from Jackie's perspective? Specifically, was it just because she was new or did it extend beyond that?
- 3) Which of the personal stories – Pam's, Bryan's or Cheryl's – might have made you feel conflicted enough to at least *consider* going along with the CFO's plan?
- 4) Which do you think weighed most heavily on Jackie's conscience, the employees' stories or her own financial/career situation? Why?
- 5) As controller, what responsibility (if any) do you feel Jackie had to address some of the "red flags," indicated in Chapter 6, before they got out of hand?
- 6) At the beginning of Chapter 7, Jackie wonders aloud why the CFO wouldn't stand up to the CEO, even though they were business partners. Can you come up with any possible reasons?
- 7) What are the accounting implications of the tactics the CFO wanted to use in order to increase the company's line of credit?
- 8) Why do you think "Joe" and the other employees involved in various fraudulent acts were not fired from the company?
- 9) At the beginning of Chapter 9, Jackie weighs the consequences of doing the right thing vs. not doing the right thing. How difficult of a decision would this be for YOU, considering the pros/cons she listed?
- 10) Do you respect the manner in which Jackie told the auditors what to look for and what questions to ask? Why or why not?

### WWYW Multiple Choice Questions

1. Which of the following are ways to manipulate the financial statements or hide fraud?
  - a) Overstating inventory.
  - b) Using aggressive accounting techniques.
  - c) Hiding material information from the external auditors.
  - d) None of the above.
  
2. What bothered Jackie most about being asked to commit financial statement fraud?
  - a) Jackie didn't want to move back in with her parents.
  - b) Jackie had student loans that needed to be paid off.
  - c) That potentially 400 of her co-workers could lose their jobs if she did not commit the fraud.
  - d) Jackie had a health issue which required her to have insurance from her job.
  
3. The company owners were in need of \_\_\_\_\_ to help finance the growth of the business.
  - a) Intelligence
  - b) Education
  - c) Investors
  - d) Capital
  
4. What did the CFO instruct Jackie to do when the auditors asked about the company's accounts receivable?
  - a) Make up a lie.
  - b) Get one of the junior accountants to make false entries.
  - c) Direct the auditors to speak with him instead of speaking with Jackie.
  - d) None of the above.
  
5. What was Jackie's solution to being pressured to understate the allowance for doubtful accounts?
  - a) Jackie quit her job.
  - b) Jackie talked to the external auditors privately.
  - c) Jackie wore a wire to record their next conversation.

d) Jackie talked to the CEO about the pressure she was facing.

6. Why did Jackie choose to come forward with her story?

a) Jackie wants to give students the tools they need to do the right thing when faced with ethical dilemmas.

b) Jackie wants to instill fear to prevent others from making wrong choices.

c) Jackie felt it was important to vent about her former bosses.

d) Jackie had been wrongly accused of accounting fraud in the past and wanted to speak out.

7. Jackie was asked to overstate inventory and accounts receivable by understating the reserve for obsolescence and the allowance for doubtful accounts.

a) True

b) False

8. "Cooking the books" creates the false appearance of earnings.

a) True

b) False

9. There was proof of an employee stealing from the company, and Jackie reported him to the auditors.

a) True

b) False

10. Jackie worried that which of the following would happen if she did not misstate the financial statements?

a) That she would lose sleep.

b) That she would lose her CPA license.

c) That she would spend time in prison.

d) All of the above.

11. Which president signed the Dodd-Frank Act?

a) President Bill Clinton

- b) President George Bush
- c) President George W. Bush
- d) **President Barack Obama**

12. Jackie felt well-prepared to challenge her boss's and explain that what he was asking her to do was not proper accounting.

- a) True
- b) **False**

### **The Story Matters!**

This e-case offers an innovative method to teach several important concepts to both undergraduate and graduate business students. We are always interested in your feedback. If you have any questions or concerns, we would love to hear from you! Contact [kelly@heliosdigital.com](mailto:kelly@heliosdigital.com) or [ivy@heliosdigital.com](mailto:ivy@heliosdigital.com) and let us know your name, area of expertise, and where you are located. We will get back to you within 24-48 hours.