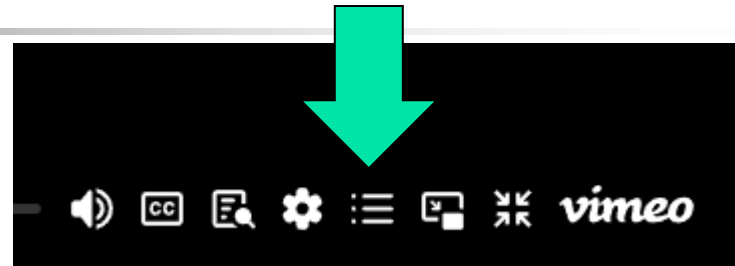


Course chapters on Vimeo



- The course is divided into chapters of about 30 minutes on Vimeo



Course coverage Chapter 1

- The prevalence of resignation for ethical reasons among CPAs
- Mini case on the Presidential order
- Avoiding unethical employers/bosses
- Your gut and ethics decisions



Course coverage Chapter 2

- Making ethics easier and personal finances
- Can the CFO tell the Board if they being misled?
- Fired for cause - employment law angles
- Integrity and success
- Mini case on a promissory note
- Reforming colleagues
- Back-dating and ethics
- Ethics that are not CPA ethics
- I used to be unethical...



COURSE INFORMATION

- This course deals with complex matters and may not apply to particular facts and circumstances. For these reasons, the course material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter. Although the course material has been carefully prepared, neither Stephen Priddle or LearnFormula accept any legal responsibility for its contents or for any consequences arising from its use.
- COPYRIGHT © 2024 STEPHEN PRIDDLE, CPA, CA, CMA
- PRACTICAL PD COURSES www.practicalpd.com
- All rights reserved. No part of this publication/course material may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means (photocopying, electronic, mechanical, recording or otherwise)



Note about electronic material

- You have the option of **printing the material** and taking notes during the video, or **taking electronic notes**
- **Printing** means you don't have to have two devices in use during the video
- If you print, we suggest you make sure you print the material large enough to take notes on it
- We **cannot provide conclusive instructions on how to take electronic notes** in the pdf file on each registrant's device, because of the wide ranges of combinations of pdf software that registrants may have, in addition to platforms, i.e. MAC or PC, tablet, etc.



THREE THEORETICAL ETHICS FRAMEWORKS

www.practicalpd.com

Stephen Priddle, CPA, CA, CMA
President
Practical PD, Courses For Accountants

spriddle@bell.net

© Stephen Priddle, 2024, unauthorized reproduction prohibited

PRACTICAL

PD



CPA ETHICS – SOME DIFFERENT ANGLES

www.practicalpd.com

Stephen Priddle, CPA, CA, CMA
President
Practical PD, Courses For Accountants

spriddle@bell.net

© Stephen Priddle, 2024, unauthorized reproduction prohibited

PRACTICAL

PD



Introduction

- Welcome to this session all about ethics
- This is the ethics section that was formerly in my popular course, **Practical Tips for Controllers & CFOs**
- CPA Quebec asked for it to be removed on Sept 1, 2023, because their system could not handle courses that were partially ethics
- The material reflects the May 2024 changes in CPA Quebec ethics
- If you took **Practical Tips for Controllers & CFOs** **prior to** spring 2022, it is not even exactly the same content



The other course

- You may want to take this 7 hour video course as well, over 11,000 have taken it
- The course coverage is on the next two slides



Practical Tips for Controllers & CFOs

- Outside the box thinking
- Finance role – some different angles
- Banking
- Improving financial reporting
- Reducing costs
- Taking a new job



Practical Tips for Controllers & CFOs covers

- Auditors & accountants
- Technology & conversion tips
- Board of Directors
- Mergers & acquisitions
- The fast close
- KPIs & weekly dashboard



All my live courses have an opportunity to win prizes

- But this is a video course, what will I do?
- Send useful feedback, a suitable joke or tip, a good scenario for this course, to spriddle@bell.net to enter a draw for a nice prize...



Where am I?

- I live in Ottawa, 9 km from





Note

- You will get completed slides by contact me, at spriddle@bell.net after watching the video



Course purpose

- To help you in real-life in the area of ethics, covering selected, practical topics



Course coverage

- The prevalence of resignation for ethical reasons among CPAs
- Mini case on the Presidential order
- Avoiding unethical employers/bosses
- Your gut and ethics decisions
- Making ethics easier and personal finances
- Can the CFO tell the Board if they being misled?



Course coverage

- Fired for cause - employment law angles
- Integrity and success
- Mini case on a promissory note
- Reforming colleagues
- Back-dating and ethics
- Ethics that are not CPA ethics
- I used to be unethical



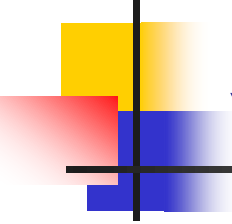
I am

- A veteran CFO
- Former member of the CMA Ontario Ad Hoc Ethics Advisory Committee
- A prolific case writer
- Part-time professor, licensing course instructor, PD course creator
- Someone who likes to...



I am passionate about ethics

- Long before mandatory ethics hours were required for CPAs, I taught a lot on ethics



We accountants are often
expected to be the ethical
"police"

- We are the cops of the organization...

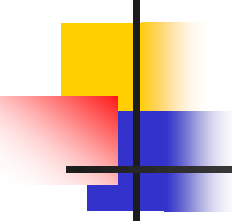


The key issue is

- Not identifying the unethical behaviour, but...
- But the related interpersonal issues in dealing with the situation...
- We will talk about those



Ethics – big picture



I think one would have to say
that there are more ethical
problems than ever before in...

- Business
- Politics
- Sports
- Medicine
- Science
- School



I saw a US survey

- 85% of Americans would murder for \$2 million!
- Hopefully not true in Canada!



But everyone wants more

- Ethical behaviour from others...

Ethics - intro

- A story with a lesson
- Did you lose money due to that fraud?
- (FTX market cap dropped about USD \$25 billion)





\$100

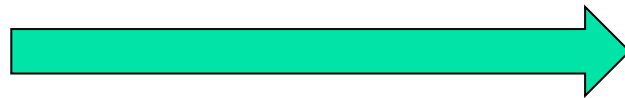


\$898



Who Is Sam Bankman-Fried? Downfall of crypto golden boy FTX ...

Visit





Ethics - intro

- But ethics is an issue for all of us...
- Have you ever resigned a position/client due to ethics? _____ in this class have
- Doesn't mean you haven't faced issues...
- Have you ever been disciplined by your professional body?
- Have you ever attended a disciplinary hearing?



Latest reports, not confirmed

- SBF lent \$1 billion to himself. Other employees embezzled millions too: Nishad Singh: \$540m, Ryan Salame: \$55m

SBF is Sam

- SBF has admitted that the "ethics stuff" was "mostly a front."
- The mess at collapsed cryptocurrency exchange FTX is worse than the one at Enron. This is according to the ex-Enron CEO who is the new FTX CEO: "Never in my career have I seen such a complete failure of corporate controls."
- Alameda, their hedge fund was EXEMPT from being liquidated when trading on FTX, the court filing shows
- FTX's 'holdings' of \$5.5 billion of tokens are now valued at just \$659k



Analysis · Capital markets · News

FTX warning signs: no CFO when dealing with billions of client money

November 11, 2022 · by Ledger Insights





FTX tells court it has evidence Sam Bankman-Fried transferred assets to Bahamas government custody after bankruptcy

Binance CEO slams Sam Bankman-Fried's behavior, takes aim at Nouriel Roubini

Cryptocurrency investor says he saw serious 'red flags' with FTX founder Sam Bankman-Fried

Emoji for expenses, penthouses and slipshod accounting: The most damning details from new FTX CEO's report

Coinbase shares tumble as bitcoin slide continues, investors fear contagion from FTX collapse

FTX-owned service being used to launder hundreds of millions 'hacked' from FTX, researchers say



Analysis · Capital markets · News

FTX warning signs: no CFO when dealing with billions of client money

November 11, 2022 · by Ledger Insights



Sam Bankman-Fried is guilty, and the industry he helped build wants to move on

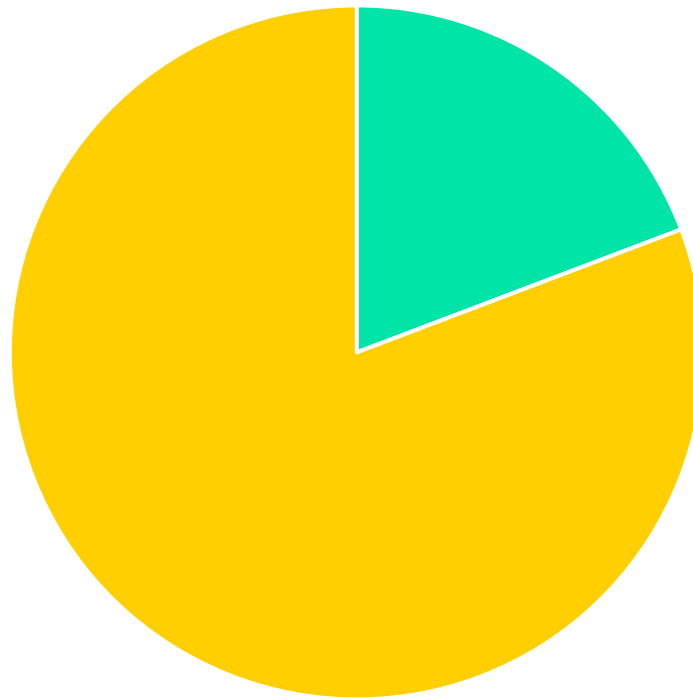
BY DAVID GURA — NOV, 11 2023





Polling question - ethics

Have you ever had to quit a job or drop a client for ethical reasons?

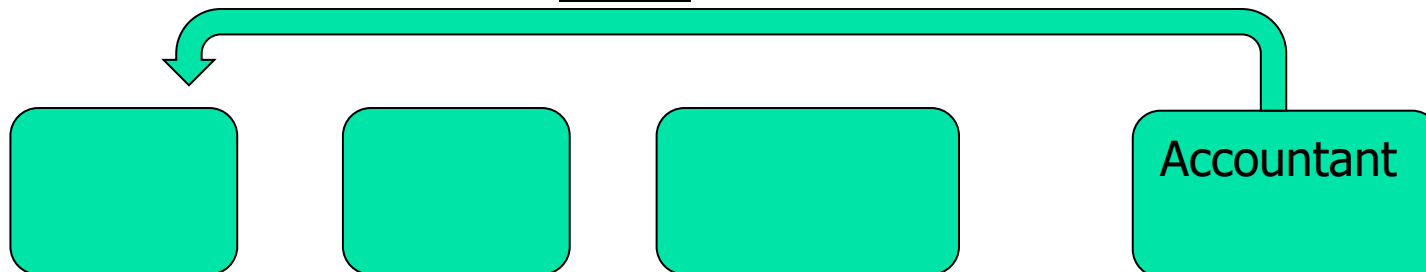


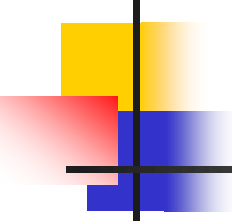
■ Yes ■ No

Ethics case #1



- Involved, 100% owner of a group of aviation companies
- Tells accountant to “book expenses = 7 x materiality, as fixed assets, make sure this fools the auditors”
- Answer: No!





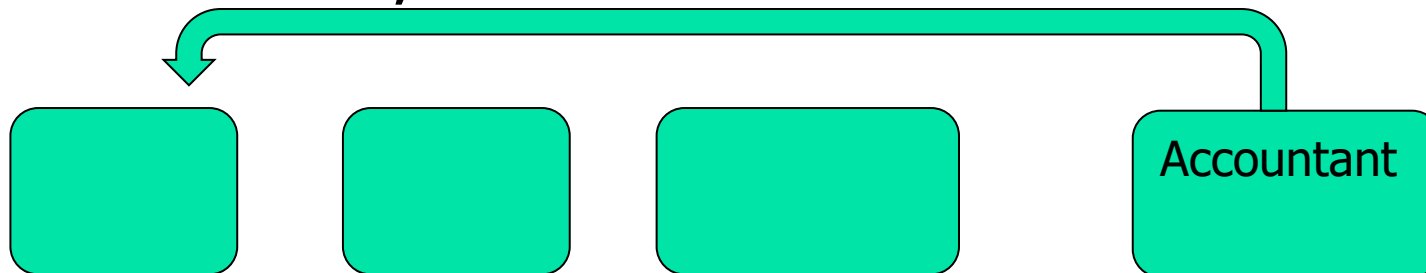
Ethics case #1- what would you do?

- Ask why?
- See if you can achieve his objective, ethically
- Ask him if he wants to go to jail?
- You can't do it!

Ethics case #1



- Involved, 100% owner of a group of aviation companies
- Tells accountant to “book expenses = 7 x materiality, as fixed assets, make sure this fools the auditors”
- Now, what do I do?



Breakout session – 5 min's

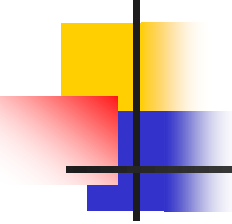
- Discuss what she should do now with your small group, she is now working for a different company in the group
- Pick a spokesperson (**most easterly person**)
- Type your best answer(s) in the
- Note: Don't just say call the whistleblower or talk to HR or the Board or the group CFO...



Ethics case #1- what would you do?

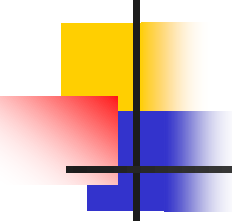
- Call 911?
- Call CPA?
- Call the bank?
- Call the auditors?
- Call CRA?
- Put your lawyer on speed dial?
- Stop flying in their airplanes..





Ethics case #1- what would you do?

- You don't know if the fraud took place and you don't work for that company
- Corporate/CPA confidentiality probably mean you can't tell anyone (rule 208.1, Quebec 39)
- Do you want to work for this owner - what other frauds have taken place/will take place – find a new job



Ethics case #1- what would you do?

- Consider talking to the accountant who replaced you
- Could someone who doesn't have a confidentiality obligation "tell some people who should know"?
- Do you quit right away, or just start looking...?



Employment law angles

- Perhaps when the first request was made, she should have said:
- “I refuse to do it, or move to the other company...hand me my severance”
- Or, “I have been demoted so....I see this as constructive dismissal, I want a severance package”...

Ethics - avoidance



- Taking a new job and then finding out the boss/the co. is crooked is not good
- Tips:
 1. Research the org/people first
 2. Make your ethical approach known in the interview avoid crooked employers, bosses
- May limit your possible jobs, but ...
- Suppose the leadership changes?

Examples

32

- The car dealer
- The move out west with the family to take a new job...



Your options

- Go to jail
- Lose your CPA
- Quit and then you have some awkward issues
- Keep working there and maybe you never get caught, but your conscience bothers you....
- None of these are good options





Research

- Ask Uncle Google
- Your connections....
- www.ratemyemployer.com
- www.glassdoor.com
- Former employees
- Example:
- Professional sports teams seeks a CFO....
- I know you are ethical, is your owner...?

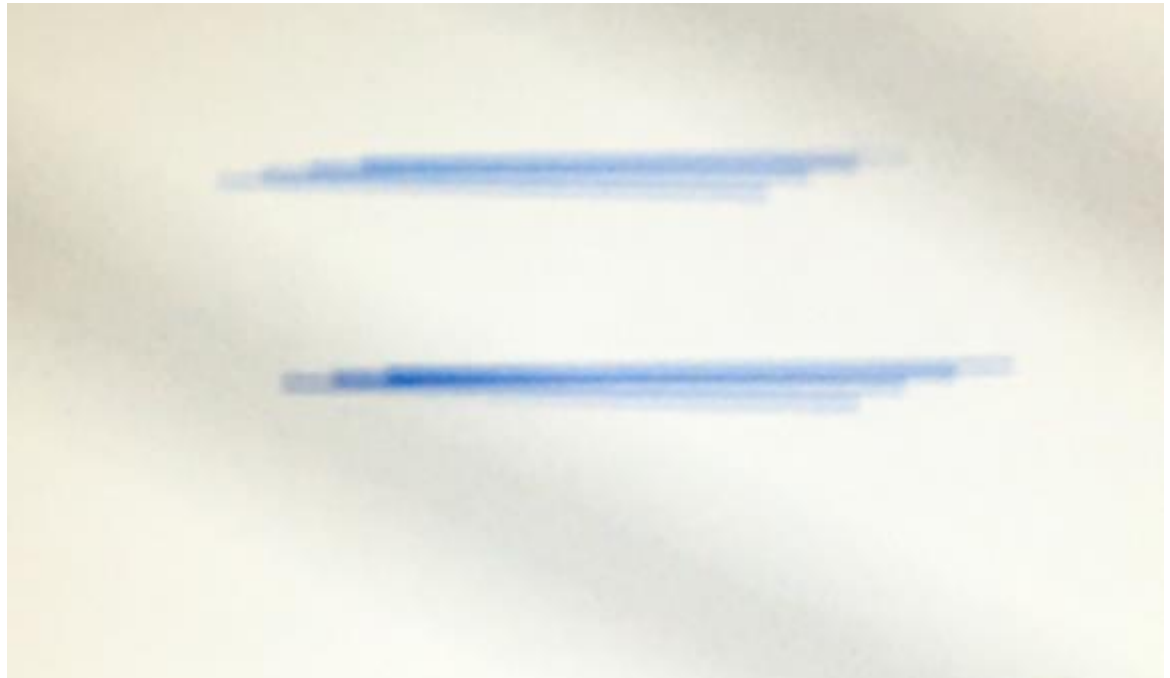


In the interview

- What do you say?
- You bring up ethics, without hitting them over the head with it....
- Examples: do you pay bribes....?
- Sometimes they will bring up ethics...



Are you willing to...





Interview line – public company

- You will get rich, we will backdate your stock options

The Criminal Implications Of Backdating Stock Options



More than one hundred companies have been implicated in the recent federal inquiry into stock options backdating.¹In July and August 2006, criminal charges were filed against executives from

Interview for CFO job of US public company

What is important to you?

Ethics



Interview for CFO job of US public company

That could be a problem...

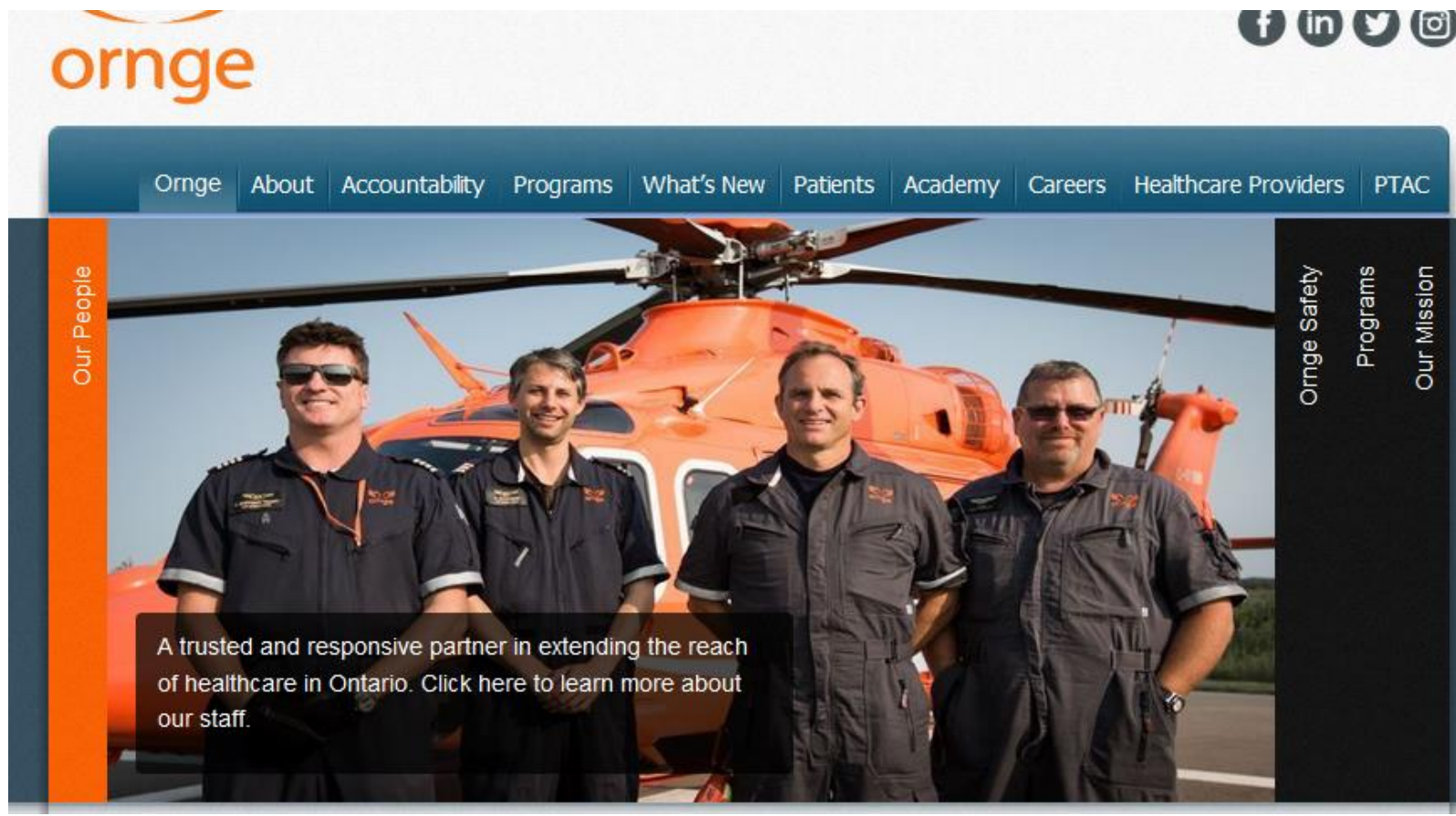




A CFO job interview – a man I know

- They couldn't give clear answers and some things were strange
- His "gut" told don't work there....
- He told them "I think you will have to hire someone else, I am not the right guy for the job"
- The organization was**Air Ornge**

The organization – before the scandal blew up



Ornge scandal: Ex-CEO Chris Mazza should be in jail, not ER, says MPP

Chris Mazza was fired as head of ORNGE, Ontario's air ambulance service after he set up spinoff companies being probed by police



ent as the head of the province's air ambulance service. (RENE

Read more:

[OPP says ORNGE millions flowed back to Chris Mazza company but no charges will be laid](#)

[ORNGE founder Chris Mazza used air ambulance expertise for own business interests](#)



Lesson

- Sometimes you have to go with your “gut”..
- A recent course attendee told me she ignored her “gut” in a context like this and it cost her dearly...

Ethics – That Feeling In Your Gut



- This course considers the crucial role of your “gut” in ethical decision-making and includes a provocative discussion of ethical issues in accounting, tax and business. The presenter shares personal and other experiences with ethically challenging situations and their resolution. **2 hour video**

53% of CPAs in
my surveys
regretted not
listening to
their gut re
ethics...



My ethics research failure

- I later found out there was a best-selling business book partly about the President
- I found it in the public library, after I quit the job for ethical reasons
- If I had read the book before the interview, I would have never taken the job, ethics were obviously not his strong point!



Former President of mine in book

- “He became the CEO’s hatchet man...”
- “More than the CEO himself, the person people feared at ___ was -”
- “- comes across as the true villain in the company”
- “- stabbed her in the back... - was a loyal henchman”
- “- reached millionaire status by the time he was twenty-five”



From recent customer quotes from the Internet about him and the company I used to worked for

- Ethics – “he settled their lawsuit against him out of court after he was caught **illegally** using _____”
- “A **narcissistic man** ...he's paranoid and basically off his rocker in our very humble opinion...”
- “Outspoken critics of M, the company and it's officers have created a website called **companynamesucks.com**”



Question

- Could some of the ethics situations you faced have been avoided by more advance research and interview discussions?

A recent attendee said he took his first job in the mining industry, working for a what turned out to be a well-known mining scoundrel....he said if he researched like I suggested, it would have saved him years of problems...

Ethics - ideas



- Taking a new job and then finding out the boss/the co. is crooked is not good
- Tip: Research the org and make your position on ethics known before you take the job, avoid crooked employers/bosses
- May limit your possible jobs, but ...
- Suppose the leadership changes?

Ethics - pressure

The CEO was not happy,
but didn't fire me...

- Make doing the right thing easier, by maintaining strong personal finances (reduces temptation!)



Not touching whether
they have to, I think
not

There is no Audit
Committee or whistle-
blower line

- In a situation, think about being at the disciplinary hearing or in the news
- Can the CFO tell the board if the CEO is misleading them? yes (private co)
- (Don't treat your Board like mushrooms!)
- You refuse to do it - what are the legal implications ?

Keep them in the dark, feed
them manure



You refuse to do it - what are the legal implications ?



- Can they terminate you with cause for insubordination (failing to follow orders) re an ethics issues, so no severance package and win if you contest this in court? No!
- Successful terminations with cause are rare
- The court cases basically say there has to be a series of warnings & violations and the maybe the employer can do it
- Also employer may not be keen on discussing the matter in court

Ethics - comments



- “A person without ethics is a wild beast loosed upon the world”
- If you don't have integrity in one area, you don't have integrity
- My belief and experience:
- Integrity = success (in the long run)
- Note: I don't believe money = success

Proverb: He who walks in integrity,
walks securely....

Residential construction & renovation

- What is the big ethics issue?





I forget to tell you

- I used to be a tax auditor for CRA
- Before I graduated from university
- But, I decided to work at KPMG and focus on the CA designation when I graduated



Sidelight

- I am annoyed about something I recently discovered
- A guy paid me to teach him about ethics in this course!
- Then he was arrested for defrauding two of his employers, after he attended this seminar
- He is singing this song





Type “stopped” if...

- You have stopped stealing from your employer...

This guy attended this seminar!

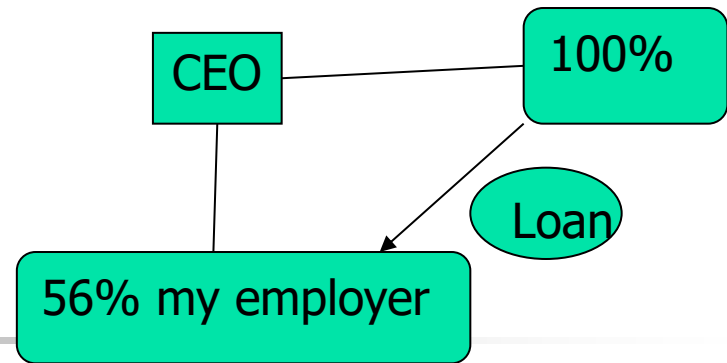
Former SFU accountant sentenced 4 years for \$800K fraud

Siamak Saidi admitted to defrauding both SFU Faculty of Science and Cultus Lake Park Board



Siamak Saidi worked for SFU for less than two years, but in that time the chartered accountant was able to steal more than \$800,000 from the Faculty of Science.

Ethics case #2



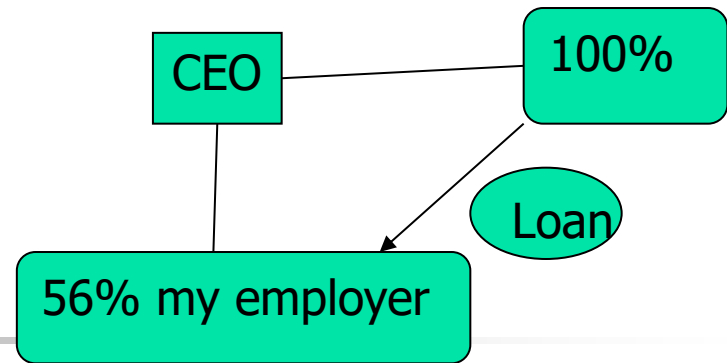
- My company borrowed money from a company wholly-owned by my company's controlling shareholder & CEO: *The amount outstanding on this promissory note shall bear interest at a rate of nine per cent (9%) per annum.* (approved by the Board, including independent directors, about two years ago, interest is overdue) No implications from this in the Note's clauses
- Instruction from the controlling shareholder & CEO: "Record interest on this loan, compounded daily at 9%, and pay it to my company"
- Question: How would you handle this? Think about the layers of issues, not the first issue (ignore taxes)



Comments

- Someone said: “Steve, first I need to know my salary...!”
- Note: the right thing to do is independent of your salary!

Ethics case #2



- My company borrowed money from a company wholly-owned by my company's controlling shareholder & CEO: *The amount outstanding on this promissory note shall bear interest at a rate of nine per cent (9%) per annum.* (approved by the Board, including independent directors, about two years ago, interest is overdue)
- Instruction from the controlling shareholder & CEO: "Record interest on this loan, compounded daily at 9%, and pay it to my company"
- Question: How would you handle this? Think about the layers of issues, not the first issue (ignore taxes)

Best answer - what would you like to eat at break today?





I am sorry

- I can't buy refreshments for all you....neither will the CPA body...
- But there will be other edible prizes in this course... and non-edible....in this webinar



Mini case

In real life the CEO would not go back to the Board and was annoyed at me, but didn't fire me...

- Do this first: explain interest rates, 9% compounded daily is 9.4% per annum, this increases the loan rate, not consistent with agreement, rips off minority shareholders
- The ethical way to get around the problem: get the Board to approve the revised interest rate on the note



The boss/colleague who is tempted

- Sometimes you can reform them
- “This is why we can’t do this and these are all the implications of doing what you suggested”
- “You will never win in the end, going this way”, eventually, people will find out, the auditors will catch it”
- “Let’s always take the ethical “high road”

A story

- Owner won't pay royalty agreement court settlement
- CFO keeps insisting it be paid
- The owner throws a pencil at the CFO!
- Owner finally says, "I hate you and love you because of your honesty, I will pay it!
- Deep down, they know it is best to be surrounded honest people





Note

- The problem is not being unable to recognize what is unethical, but recognizing it and not having enough “backbone” to say no!





Thought

- Who seemed to be the most unethical accountant you were around earlier in your career?
- Now google them
- When I did this....

12:02:41 From Rob to Stephen Priddle (Instructor)(Direct Message):

just googled a former unethical employee. there are a lot of complaints about the resort he is running in his resort in Belize! looks like he ripped off quite a few people. Thank you for the suggestion



Back-dating

- Back-dating can be an ethically challenging area



Back-dating

- Can be anything from serious fraud...
- To 100% legitimate
- You need to think clearly in this area, and may need legal advice



Serious fraud

- The government says for transactions entered into after January 1, 2022, they will be treated differently
- You can't lie that a transaction entered into in late 2022, was entered into in fall 2021, just by back-dating it

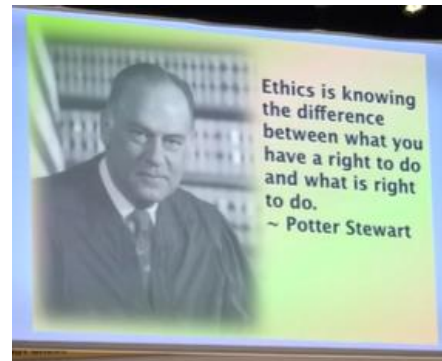


Another example

- Your employer as a tenant has been in the premises since November 1 and the landlord has not got around to getting the lease done yet yet
- You backdate the lease to a November 1 effective date, and you sign it in December
- 100% normal and legitimate

Ethics - business

- There are all kinds of ethically difficult business situations we all might face, not CPA ethics per se



A story



- Man I know indirectly is a partner in a two person Veterinarian business
- He get seriously ill for I believe nearly a year, takes time off because he can't work, and to recover
- As a year approaches, his partner counsels him: "take your time, don't rush coming back, make sure you get well"
- Comes back to work, after a little more than a year



A story

- Partner tells him: “under Clause X of the partnership agreement, an absence from active participation in the business of more than one year means that I have automatically acquired your partnership interest and furthermore, under our Non-Compete agreement, you are forbidden from practicing Veterinary medicine within 50 km of the office, for a period of two years...”
- A lawyer would say the Partner did absolutely nothing legally wrong
- You and I and just about anybody would say that **stinks** and is **fundamentally deceitful and immoral....**

Personal – I used to be unethical...

- I like hockey
- Many years ago, my brothers and I wanted to watch the Ottawa 67s, but we didn't want to pay
- I was the leader, because I was the oldest



The scenario

- Hockey rink, the Ottawa 67s play here

Football field



The scenario

From the football field, sneak in door here



AND THEN WE GOT CAUGHT!



Lesson

- I would never steal from a store, my parents taught me well, but I did try to steal from the Ottawa 67s, by not paying for a ticket
- Sometimes we rationalize things
- This was when I was **unethical**, I reformed shortly after, it is a long story...



Ethics

- Always difficult, but easier if you are later in your career, rather than early
- Sometimes its lots of and lots of little ethical issues, not the really big one...
- Two board invitations with possible ethics issues....

Time at crooked company

**DO SOMETHING
UNETHICAL**

- On-line attendee comment, San Francisco:

2018-07-27 9:22:18 AM from Richard Kent

Hide

Print

Answer

Delete

Q: CEO asked me if I would play ball. I was 26 years old. I immediately found another job. But after I left they shipped product to a warehouse. Board found out and called the SEC. I testified in front of the SEC for 10 hours. Not fun even when ethical.

A: Thank you for your response!

**CAN'T RECORD
REVENUE SHIPPING
TO YOUR OWN
WAREHOUSE**



Ethics

- Your chance to share on this... (no names) – send me an email spriddle@bell.net



Time to quit crooked company

CBCnews | Business

Home Opinion World Canada Politics **Business** Health Entertainment Technology & Science Video

Business Tax Season CBC SecureDrop

Eron Mortgage found guilty of \$170-million fraud

CBC News Posted: Nov 29, 1999 7:32 PM ET | Last Updated: Nov 10, 2000 11:48 PM ET

0 shares

 Facebook

 Twitter

 Reddit

Eron Mortgage and its top officials have been found guilty of perpetrating one of the biggest swindles in Canadian history. The British Columbia Securities Commission estimates that 3,200 investors, most of them from B.C., lost \$170 million.

The commission found that Eron's former president, Brian Slobogian, and its vice-president, Frank Biller, lied to investors, misused investors' money, and failed to keep proper records. Many investors lost their life savings. Some also lost their homes.

Latest Business Headlines



■ Top earners saw average in



Recent e-mail to me

- *"I quit my job on January 13, because I had a professional obligation to quit as required by the CPA Code of Professional Conduct ..the course that I took with you this fall titled **Practical Tips For Controllers and CFO's** helped me make this very hard decision."*



Ethics courses

- The other day my wife said “I think politicians should have to take ethics PD hours....”
- I think they should also take a course on debt/financial management

The Federal government borrowed about \$1 billion per day in fiscal year 2021!



By the way

- Only about 3 years of my career have been ethically challenging....I just had a lot of stories on them here



I have 8 other ethics courses

- And more will be added
- Here is information on two of them



Ethics – Where The Rubber Meets The Road, 2 hour video

What are the problem areas?

Gray or black or white?

The greatest Canadian accounting/business crook

The gradual slippage into ethics trouble that sometimes happens

The over-bearing, no one dares to question company founder

It doesn't break a law, but it breaks the code

Ethics when you leave Canada

Making your standards clear at work

The strategy of playing dumb

Re-explaining the situation to win over colleagues

Documenting your ethical position

Codes of Ethics – are they helpful?

False & mis-leading issues and complications

Ethics and forecasting – I bet you didn't know this angle

Invoicing to get around the over budget contract

Government procurement fraud

Its already approved, but unethical...



Ethics – More Than Just the Code of Conduct

- The rules/contract allow this - but is it right?
- Colleagues' actions and the association part of Rule 205 (Quebec 26)
- Ethics problems between departments in the same organization
- Major Canadian CPA ethical lapses that are not well known
- The unreported revenue dilemma
- Will the auditors back you?
- Sanctions – should private companies punish players from certain countries?
- The subordinate who lies to you
- Approaches to diffusing difficult situations
- All kinds of specific examples and stories
- **2 hour video**



Closing comments

- Send me an e-mail spriddle@bell.net, to pick my brain or for questions, or to get completed slides
- Do LinkedIn with me
- Please provide a review
- Thanks for listening