Week Six Lecture

**Professional Responsibility**

As we come to the end of our course, one of the most important and relevant subjects we can study is professional liability and accountability for accountants. As you start or continue your career in the accounting field, it will be imperative for you to know and understand the many duties and responsibilities you have, and for which you can be held liable.

There are essentially two types of accountant liability: common law liability and statutory liability. Common law liability simply means that the duty and liability was created by judges through their decisions in the history of a particular area of law. Statutory liability means that the duty and liability was created by a law, passed by either the federal legislative body or a state legislative body.

Accountants today face more scrutiny than ever before. Enron’s 2001 failure was the largest business bankruptcy ever and it put a spotlight on accountants’ professional responsibility. Interestingly, Richard Causey, the chief accountant in the Enron scandal – indicted on many felony charges - put forth the defense that he followed GAAP rules, and therefore was not guilty. The government contended that GAAP standards do not insulate an accountant from liability. Eventually, Causey pled guilty and was sentenced to 5-7 years.

We learn from Causey’s case that that even if the accounting technically follows all the rules, the result could still be fraud, or the breach of another duty. So, as you study Chapter 27, don’t think of the material as a set of rules that you need to follow. Don’t misunderstand, following the rules is important, but it might not always be the best standard. As you study, try to think of the principles that you should incorporate into your own personal professional standards that will help you to follow the rules and guide your actions in such a way that will protect you from liability.

**Property**

Your textbook defines property as, “the legally protected rights and interests a person has in anything with an ascertainable value that is subject ownership” (Miller, 2014). As an accountant, you will likely deal with property on a regular basis, either in accounting for the property of your clients, or in advising them regarding the acquiring of it.

In Chapters 28 and 29, we will study both personal and real property.  The difference between real property and personal property is essentially this: personal property is movable while real property is immovable. While this might be a small distinction, the result is that the law that governs real property is very different than the law that governs personal property.

As you read about personal property, pay special attention to the section on bailments. You may not be very familiar with the law governing bailments, but we all are bailees or bailors at one time or another. A bailment occurs when one person delivers personal property to another without transfer of title (Miller, 2014). In practical terms this happens whenever you leave your car to be repaired, leave your clothes with the dry-cleaner, or even check your baggage at the airport. As an accountant, you will likely have clients who deal with personal property on a regular basis.

***Forbes School of Business Faculty***

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