

**CARD-SORTING ACTIVITIES FOR
INTRODUCING THEORETICAL FRAMEWORKS**

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INTRODUCTION

This exercise offers instructors an active learning tool useful for introducing theoretical frameworks. Frequently, accounting instructors need to relay to students the basic foundations upon which the rest of the course will build. Since the students are novices, transfer of this information can sometimes be challenging. We explain an in-class activity which engages students with the framework early in the course. We present details for three areas useful for accounting instructors:

- Objectives of financial reporting
- Objectives of the tax law
- Classical ethical theories

Students are prompted to consider their own ideas and predispositions in each of the independent exercises. It is designed for a class of approximately twenty students, but can be altered to fit the needs of any class size.

According to Magney (1990), game-based exercises offer the potential for student gains in knowledge and understanding of general principles. They also serve to generate student enthusiasm about a topic. Many games also promote participative types of learning. Kiili (2007) finds that authenticity, collaboration, learning by doing, and reflection are instrumental in effective educational games. Also, properly designed games can make theoretical knowledge more approachable. We attempt to achieve these advantages with the card-sorting games presented below.

RULES

The activity is adapted from a similar exercise presented by Berguist and Phillips (1975). The general format for each game is the same.

- Value statements from each of the theoretical foundations are created and placed on separate index cards.
- The cards are placed in random order and distributed to the students.
- Each student receives six cards. (Statements may be duplicated, depending on the number of students in the class.)
- The first step in the exercise is for each student to obtain six cards with which he identifies. Therefore, the students interact and actively trade cards with each other.
- After the initial trading period, each student finds a partner with whom his cards are compatible.
- From the set of twelve, the partners should keep at least eight cards with which they both agree.

- Finally, each pair merges with another pair of students.
- From the sixteen cards available, the group should keep at least nine cards that represent the beliefs of the group.
- Each group should then rank the statements from the most indicative of the group to the least indicative.
- Focusing on the highest ranking statements, each group should prepare a written statement that summarizes the framework of the group.

The professor should actively monitor each phase of the activity and give instructions for subsequent phases throughout the exercise. At the conclusion, the professor can give a brief overview of topic studied.

BEHAVIORAL OUTCOMES

This exercise was developed a number of years ago and has been a favorite class period of both the instructors and the students with the following outcomes:

- The students enjoy moving around the room and discussing their ideas with classmates.
- Students are more thoughtful about the tension between satisfying the different objectives after trying to come to a consensus with at least three other people during the exercise.
- Students are eager to participate in the discussion of the theoretical frameworks after the completion of the exercise. This increases interest in the more specific topics which follow the rest of the term because the students have better retention of underlying foundations.

SAMPLE ACTIVITIES

We present three examples of sets of value statements that can be used to implement this card-sorting activity into accounting courses. The exercise has been successfully used early in the course to involve students in thinking about ideas that will be useful for the rest of the course.

Objectives of Financial Reporting

This exercise introduces students to the conceptual framework for financial reporting. It encourages them to consider their own objectives and needs in reporting. In September 2010, FASB issued SFAC No. 8, Conceptual Framework for Financial Reporting. The following sentences represent information contained in the concept statement. (For faculty reference, paragraphs and topics from SFAC No. 8 are provided.) In addition, there are some sentences that represent alternative viewpoints that that the Board may have considered but did not adopt as an objective or qualitative characteristic.

At the conclusion, the professor can give a brief overview of the conceptual framework, pointing out the overall objectives and qualitative characteristics of useful financial information.

As each objective/characteristic is presented, the professor can present examples as well as identify alternatives considered by the board.

Financial Reporting Cards	
Businesses are separate legal entities from the owners; therefore, accounting for the entity and the owners should be separate.	(Reporting Entity BC1.8)
When owners have unlimited liability for the debts of a business, accounting reports should reflect both business and owners' personal transactions.	(Reporting Entity BC1.8)
Financial reporting should primarily provide information about an entity that is useful to existing and potential investors, lenders, and other creditors.	(Primary Users BC 1.15-20)
Financial reporting should primarily provide information about an entity that is useful to existing shareholders and creditors; potential investors should be of secondary concern.	(Primary Users BC 1.15-20)
Financial reporting should primarily provide information about an entity that is useful to existing and potential investors, lenders, and other creditors, as well as management.	(Primary Users BC 1.15-20)
Financial reporting should focus on maintaining financial stability in capital markets, thus focus on the needs of regulators and fiscal policy decision makers.	(Primary Users BC 1.15-20)
The objective of financial reporting should be the same regardless of size or status (publicly traded) of the entity.	(Objective for financial reporting BC 1.29)
The objective of financial reporting should differ for small entities versus larger entities.	(Objective for financial reporting BC 1.29)
The objective of financial reporting should differ for publicly traded entities versus entities that are not publicly traded.	(Objective for financial reporting BC 1.29)
Financial reporting should provide information that is useful in making decisions about providing resources to an entity.	(Objective of financial reporting BC1.34)
Financial reporting's main purpose should be to provide information about an entity's solvency.	(Objective of financial reporting BC1.34)
Information about a firm must be relevant, or capable of making a difference in the decisions made by a user.	(Relevance QC6-10)
Financial reporting should include information that can be used to predict future outcomes.	(Relevance, predictive value QC6-10)
Financial reporting should include information that can provide feedback about previous evaluations.	(Relevance, confirmatory value (QC6-10)
Entity information should be reported if omitting or misstating it could affect decisions made by financial statement users.	(Relevance, materiality QC 11)
Financial statement information must faithfully represent what it purports to represent.	(Faithful Representation QC 12-16)
Financial statement information needs to include all information necessary for a user to understand, including descriptions and explanations.	(Faithful Representation; complete QC 12-16)
Financial reporting should not be slanted, weighted, emphasized, deemphasized, or manipulated.	(Faithful Representation, Neutral QC 12-16)
When information is presented, it should be presented with prudence or conservatism.	(Faithful Representation BC 3.27)
There should be no errors or omission of information about a company in the financial reports.	(Faithful Representation, free from error QC 15)
Estimates can be faithful representations as long as it is described clearly and accurately as being an estimate, limitations are explained, and no errors have been made in the process of developing the estimate.	(Faithful Representation BC 3.27)
Information is more useful if it can be compared with similar information about other entities.	(Comparability QC20)
Firms should use the same methods for reporting from period to period.	(Consistency QC22)
Firms should be allowed to use alternative recording and reporting methods for the same economic phenomenon.	(Consistency QC22)
Information should be verifiable; i.e., different observers should reach a consensus that a particular depiction is a faithful representation.	(Verifiability QC26)
Information should be available to decision makers in time to be capable of influencing their decisions.	(Timeliness QC29)

Information should be classified, characterized, and presented clearly and concisely.	(Understandability QC30)
Users should have a reasonable degree of financial knowledge and a willingness to study the information with reasonable diligence.	(Understandability BC3.40)
Information should be omitted from financial reports if exclusion makes the reports easier to understand.	(Understandability QC31)
Cost must be a pervasive constraint on the reporting entity's ability to provide useful information.	(Cost – pervasive constraint QC3)

Objectives of the Tax Law

This exercise introduces students to the different objectives and criteria that serve as the foundation for tax law. The activity encourages students to consider their own ideas and beliefs about how the tax system should work. They represent generalized views from the various objectives of the tax law such as revenue generation, economic factors, social factors, equity factors and political factors.

At the conclusion, the professor can give a brief overview of the tax objectives commonly cited and covered in the course text. As each objective is presented, sample statements can be identified which tie to that objective. The groups can then identify which objectives most closely related to their own ideas.

Tax Law Cards
A family of four with one income is able to pay the same amount of tax as a married couple with the same income.
A married couple with the same income as a single person should pay the same amount of tax.
All citizens should pay taxes because all citizens receive public goods.
All citizens should pay the same percentage of their income in tax.
Citizens have a responsibility to understand the tax rules.
Collecting less tax revenue than government expenditures is not a problem because the federal government can borrow the difference.
Each state should have the same tax rules.
Electronic filing of income tax returns is good because it saves time for taxpayers.
Families with children should pay less tax than single people.
Family money that is used for childcare should not be taxed.
Family money that is used for food should not be taxed.
Family money that is used for healthcare should not be taxed.
Government spending should be limited to the tax revenue collected.
High taxes discourage people from working hard to earn more money.
I don't mind paying taxes.
I think Americans should pay more tax to decrease the federal debt.
I think more people would follow the tax rules if the rules were understandable.
I would increase tax revenue by eliminating special deductions (e.g. giving to charitable organizations).
Inheritances should be taxed.
It is good that the tax law subsidizes the purchase of homes.
It is impossible to create a tax that treats everyone the same.
It is not possible for an average citizen to understand the tax laws that apply to him.
It is OK to take advantage of tax loopholes.
It is unethical to avoid paying any tax by taking advantage of numerous tax breaks.
It would be convenient to be allowed to pay tax with a credit card.
Large corporations should pay higher taxes than individuals.
Low income workers should receive money from the government, not pay taxes.

Most people don't mind paying their fair share of taxes.
Older people should pay less tax because they are no longer working.
People should not be required to pay tax on necessities such as food.
People who use government services should pay higher taxes than those who do not.
People will smoke regardless of how high the taxes are on cigarettes.
People with higher income should pay a greater percentage of their income in taxes.
Politicians often promise to lower taxes in order to get elected.
Poor people should pay no tax.
Public corporations should pay tax based upon the income they report to shareholders.
Rich people avoid paying their fair share of taxes by hiring accountants and lawyers.
Small businesses should pay less of their income in tax than larger businesses.
Tax law should be used to encourage certain behavior, such as contributions to charity.
Taxes on poor people should be discouraged.
Taxes should not be used to influence social behavior, such as discouraging smoking.
Taxing income creates a disincentive for working.
The best way to increase tax revenue is to raise the tax rates.
The government should hire more tax auditors to ensure that everyone is paying their share of tax.
The government withholds taxes from individual's paychecks as a service to the taxpayers.
The reason people dislike paying taxes is that the government wastes their money.
The reason people don't pay taxes is they don't have the money.
The tax law should encourage businesses to locate in the U.S.
The tax law should encourage businesses to make socially acceptable investments, such as drug research.
The tax law should encourage businesses to provide health insurance for all employees.
The tax law should encourage investment in the stock market.
The tax law should encourage people to buy homes.
The tax law should encourage people to save for retirement.
The tax law should encourage small businesses.
The tax law should encourage the poor to work.
The tax system is an effective way to create desirable behavior (e.g., giving to charities).
The tax system should be simpler so that citizens don't have to pay to have their taxes computed.
The tax system should protect key industries such as energy and agriculture.
The wealthy provide capital investment to the economy and should not be overtaxed.
U.S. companies should not pay tax because they create jobs.
When the economy is bad, the government should lower taxes to give people a break.
Withholding of tax is good for citizens because they don't have to worry about saving to pay their taxes.

Introduction to Ethical Theories

This exercise introduces students to different classical frameworks for facing moral issues. The statements represent generalized views from classical ethical theories such as utilitarianism, rights theory, justice theory and virtue theory.

At the conclusion, the instructor can give a brief overview of ethical theories commonly studied. As each theory is presented, sample statements can be identified which tie to that theory. The groups can then identify which traditional theory or combination of theories is most closely related to their own. To direct the interaction, the professor can provide a scenario. For example, should politicians accept bribes? How will each group of students respond, based on their ethical approach?

Ethical Theory Cards

A person can learn to make an ethical decision.
A person should define right and wrong based upon his own conscience.
A person should define right and wrong based upon religious beliefs.
A person should define right and wrong based upon societal norms.
A person who values integrity will make ethical decisions.
Act so that you treat yourself and others always as an end and never merely as a means.
Always act in such a way that you desire others to also act.
An ethical decision produces the outcome desired by the most individuals affected.
An ethical decision results in the least harm to those affected.
An ethical decision will always respect a person's right to free speech.
An ethical person makes choices that benefit the most people even if his own happiness is sacrificed.
An ethical person must keep his word.
An ethical person primarily considers the consequences of his actions on all others affected.
Certain circumstances justify dishonesty or withholding the truth.
Certain stakeholders should be considered more important than others in evaluating ethical problems.
Citizens are reasonable when they offer one another fair terms of social cooperation.
Deep truths about right and wrong exist that are beyond the grasp of the unaided human mind.
Dishonesty is wrong in all circumstances.
Each person is to have an equal right to the basic liberties available to others.
Equality is not to be achieved by worsening the position of the worst-off.
Equality of rights is a basic liberty that cannot be violated.
Ethical decisions should be evaluated systematically weighing the harms and benefits to those affected.
Ethical decisions usually require some party to make a sacrifice.
Ethical dilemmas usually require trade-offs to be made between the individuals affected.
Everyone should have reasonable opportunity to acquire the skills for which merit is assessed.
Furthering the ends of others is sometimes the best means of furthering one's own ends.
Individuals should always to act in their own best interest.
It is important to consider the effects of a decision on all relevant stakeholders.
It is most important that all people are treated equally.
It is not possible to develop ethical principles that apply to all situations.
It is possible to develop a systematic approach to apply to ethical decisions.
It is right to maximize individual self interest as long as the impact on others is minimized.
It is wrong to make a decision that violates another person's right to privacy.
It is wrong to trespass on another person's property.
It is wrong to use power to repress views that are different from one's own, but not unreasonable.
Respect for others leads to ethical decisions.
Right actions are most often guided by religious beliefs.
Right and wrong cannot be established until the facts of the situation are known.
Social and economic inequalities can be justified as long as each person's position is based on merit.
The greater social good is of higher value than individual needs.
The most ethical actions vary according to the situation and surroundings.
The most ethical decision is one which follows universal principles of right and wrong.
The most ethical decision is one which values others more highly than self.
There are certain ethical principles that should never be violated.
There are situations in which a favorable outcome justifies questionable actions.
There are standards of right and wrong which can be applied to all people in making decisions.
Those who do wrong should be punished.
True morality should not depend on our individual likes and dislikes or on our abilities and opportunities.
When given alternatives, an ethical person will choose the option that produces the best results for the most people.
When someone has been wronged, the other party must recompense the situation.

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