

What is accounting ethics

[Business](#), [Accounting](#)



What is Accounting Ethics? The term accounting ethics are formed by the combination of two different words, namely accounting and ethics. Fortes, (2011) believes that 'accounting is the collection, measurement, analysis and reporting of events in financial terms.' While Karthik, (2010) believes that 'ethics in its broader sense, deals with human conduct in relation to what is morally good and bad, right and wrong. It is the application of values to decision-making. These values include honesty, fairness, responsibility, respect and compassion. Therefore, merging the two together will definitely assist in arriving at a proper definition of the term. Hence, accounting ethics can simply be defined as the general rules governing the accounting profession and setting a standard for the practitioners in making the right professional decisions at all times in order to abide by the rules. Dyson, (2010) believes that "accounting ethics relate to the moral code or principles expected to be adopted in the preparation of accounts".

It should be noted that the importance of accounting ethics cannot be underestimated as it plays a vital role in the daily professional activities of an accountant. It is obvious that in the process of carrying out duties as a professional accountant, there will be various challenges as to whose interest is to be protected. In such a situation, if there are no ethics in place, it is possible for the accountant to act unprofessionally. Origin and background of accounting ethics The history of accounting ethics can be traced to the 15th century when the first known accounting book was published.

Luca Pacioli, an Italian mathematician who is also regarded as the "Father of Accounting" wrote on accounting ethics in his first book. The book titled *Summa de Arithmetica, Geometria, Proportioni, et Proportionalita*, which

included two chapters – de Computis et Scripturis – describing double-entry book keeping was published in 1494. Dyson, (2010) states that ‘ the first known book on the subject accounting was published in 1494 by an Italian mathematician called Pacioli’. It should be noted however that the publication of this book only brought about the beginning and introduction of accounting ethics and not of accounting itself.

Belkaoui, (2004) stated that ‘ Luca Pacioli did not invent double-entry book keeping, but described what was being at the time’. He further stated that ‘ were we to trace this important science (accounting) back to its origin, we would be naturally led to ascribe the first invention to the first considerable merchants ’. The theories and principles of Pacioli on accounting ethics have been in use from the fifteenth century and the modern book-keeping systems are still based on the principles, although they have had to be adapted to suit modern conditions.

Importance of accounting ethics in 2012 The only way by which the importance of accounting ethics can be visible is by the proper enforcement of the ethics on the accounting profession. Several bodies in different countries have been setup to maintain such enforcement. An example is the Public Company Accounting Oversight Board in America. This body in the course of its oversight function this year has discovered so many frauds that had gone undetected for many years.

Norris, (2012) stated that ‘ in 13 of the 23 audits carried out, the board reported that the auditors did not perform sufficient procedures to identify, assess and respond to the risks of material misstatement of the financial statement due to fraud’. This literally means that this year more than fifty

percent of firms will have one form of fraud or the other going on in their firms and the only way by which such fraud can be tackled and revealed is by proper enforcement of accounting ethics. References Belkaoui, R. A. , (2004). Account theory. 5th ed. Hampshire: South-Western Cengage Learning

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