

Accounting ethics essay examples

[Business](#), [Company](#)



Accounting Ethics

In every aspects of the business in any organization, good ethics is something that is crucial in ensuring the continuous success of the business and smooth operations. Good ethics is the foundation of an organization in establishing their guiding principles. It is quite easy to understand, the principles of good ethics are driven by choosing the right things to do all the time (Driscoll and Hoffman, 2010). A business without core values is like a ship drifting in the waters without a definite direction. The sense of direction that good ethics embodies delivers the business from a lot of risks. Risks from financial losses and consequences resulted from wrong decisions. Good ethics must be observed in all areas of the business particularly in accounting. There are several reason that explains its importance.

Ethics is known as a branch in philosophy that serves as a human basis of judgement between what is right and wrong. It is a social standard that concerns with the nature of values by which human actions are judged. The theory and principles surrounding ethics are applied in almost all aspects of human living especially in professional environment. Accounting is one those areas in the business that needs to observe good ethics because it concerns the organization's financial well-being. Accounting is critical in ensuring the precise information gathering needed for the organization to determine their financial position. The kind of information that accounting provides are important to decision makers and investors to whether not it is feasible to put their money on a particular investment. Information derived from accounting also provides a clear picture of the business that will guide

decision makers on formulating development plans for the business. Not to mention that investors are also looking at accounting data to be abreast of the company's profitability. There is a so-called professional ethics that serves as a guide for all accounting professionals. Accountants are expected to adhere to the ethical standards that are designed to keep them in an acceptable behavior.

The international Ethics Standards Board for Accountants is an example of a governing body that looks after the behavioral standards of all accountants not only in the United States, but with all the members of International Federation of Accountants or IFCA. The concept of accounting ethics evolves mainly in integrity, objectivity, competence, confidentiality and professional behavior (IFCA, 2005). Following the five concepts enables the federation to ensure that all accountants are well equipped with acceptable professional behavior. Non-ethical behaviors in accounting such as forgery, fraud and data manipulation will cause the public to lose confidence to them thus, distorting the image of accountants in general. The fact that businesses rely on accountants for reports regarding their profit and losses, any discrepancies made by an accountant because of lack of ethics will result to the business's wrong financial decision.

However, if an accountant is diligent enough to follow the rules of engagement regarding ethics the business or an organization will be confident enough that their financial decisions are in proper direction. It is true that skills and ability is the main selling point of an accountant, but having the skills and ability in accounting alone does not guarantee

competency. The profession actually requires a great deal of integrity and sense of responsibility (Bookkeeping-financial-accounting-resources. com, N. D.). Responsibility that includes ensuring only the most accurate information are recorded, through analyzing raw data, following proper procedures and honest reporting of results. There are several unethical practices that accountants must avoid, one is purposely providing false information about expenses. Expenses must be recorded up to the last cent because if certain amounts are neglected by the accountant, those amounts will pile up and create unexplained losses to the company. Exaggerating on the other hand is also considered unethical because reporting irrelevant information particularly incorrect revenue report will actually hurt the investors. The reason for that is that investors will have false expectations about their investment returns, but will end up disappointed because there is no investment returns to expect at all.

Another important element in accounting ethics is the foundation of trust, basically the company put their trust on their accountants in terms of money. Normally, businesses entrust their cash on hand on accountants. However, if the accountant is unethical enough to spend the company's money for personal use this will cause significant losses for the company and possibly lead to loss of job and prosecution. In terms of confidentiality, accountants must be ethical in keeping the business's financial information confidential to the unauthorized individuals (Writermarion, N. D.). Most of the time, incidents of companies going out of business is because of their trade secrets being exposed to competitors. Financial information is considered a

trade secret, any instances of such information going out into the open will result to the company's increased vulnerability to competitor's attacks.

In a nutshell, what it means to be an ethical accountant is the ability to not only become competitive in deciphering financial figures, but to be trustworthy. As the golden rule says: "honesty is the best policy," accountants are expected to keep that wisdom in mind. It is about following doing the best practices and avoid mistakes as possible. The amount of responsibility resting in the shoulders of accountants are immense to the point that any misconduct will greatly impact not only the business, but the people within the organization as a whole. Professionalism is the key term in ethics, one must adhere to the basic rules designed to ensure credibility in their profession. Besides, an accountant spent years and money to be educated in the field of accounting so it is just right to compensate that effort with proper work ethics that will keep them employed in that field. The basic understanding of what is right and wrong is a universal philosophy that keeps human relationships in perfect harmony. When this principles are used in accounting ethics, every accountant can guarantee themselves a more successful future.

References

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