

Case study example

Finance



Ethical Principles of an Accountant International Ethics Standards Board for Accountants (IESBA) has a mission to strengthen the worldwide accountancy profession through setting standards related to accountant's ethics. IESBA wants to beef up professionalism in the accounts profession by establishing new steps that accountants should take in disclosing information to management, the board, and external sources. This paper discusses the four codes of ethics that accountants should adhere to including confidentiality, objectivity, and integrity. Additionally, the paper examines the principle of loyalty and confidentiality on both internal and external auditors.

Corporate accountants have always maintained a degree of confidentiality about companies' finances. Confidentiality principle of accounting requires accountants not to disclose information acquired during their practise to third parties. It clearly stipulates that information acquired from professional or business relationship be kept confidential unless there is legal or professional right or duty to do so. Such information belongs to the company and should not be put into any personal use. Therefore, an accountant must take the necessary measures to mitigate any threats that might occur in the course of practising. However, each engagement and work assignment differs in threats it presents, which means that it is the work of an accountant to identify, evaluate, and deal with the threat to confidentiality. Professional competence and due care is another principle applicable to this scenario. Accounting profession keeps changing to incorporate new skills and information. It is the duty of an accountant to ensure that they keep themselves updated. They must maintain professional knowledge and skill to ensure that the clients receive competent services. Any developments in the profession or in the legal system must be included in the practise. An <https://assignbuster.com/case-study-example-essay-samples-49/>

accountant who acts in due care is one who follows all the technical and professional standards in their practise.

Objectivity is another principle applicable to the scenario that requires accountants to act independently. He should not allow undue influence from thirds parties. Corporate accountants should not allow bias in their work and should relinquish their personal interests to accommodate professional judgements. Additionally, a professional accountant must act with the highest level of integrity because of they are entrusted with preparing financial accounts of organisations.

Although the principles of loyalty and confidentiality should be similar to both internal and external accountants, they are different. The standards set out the two principles to apply in a similar manner to both accountants.

However, internal and external auditors have differing attachments to the company that enable them to act differently. Internal accountants have an attachment to their employers who they own loyalty to by virtue that they have given them a job. They act professionally towards outsiders but with less attachment. On the other hand, external auditors own a duty of care and primary loyalty to the members of the public who look up to them to make investment decisions. Additionally, while internal auditors have a duty to disclose any fraud to management and audit committee in the organisation, external auditors have a broader task. They have a duty to inform the members of the public on any frauds, irregularities, or illegalities in the company dealings. This means that they breach the confidentiality expected of an accountant by reporting on the wrongs of the company.