

Aicpa code of ethics essay sample

[Sociology](#), [Ethics](#)



For the accounting field, the American Institute of Certified Public Accountants (AICPA) maintains and enforces a code of professional conduct for public accountants. By adhering to the code, accounting professionals assume an obligation of “ self-discipline above and beyond the requirements of laws and regulations” (AICPA, 2006, para. 8). The duties placed on accounting professionals by the code of ethics require “ professional competence, confidentiality, integrity, and objectivity” (Bookrags, 2006, para. 4). Accounting professionals should only accept responsibilities that they can accomplish proficiently. They must complete their tasks carefully, confidentially, with ample precision and without bias.

AICPA Code of Professional Ethics

The AICPA’s Code of Professional Ethics is broken down into sections: principles; rules; independence, integrity, and objectivity; standards; and responsibilities. The principles of professional conduct use articles to establish major requirements for professional accountants in different areas of their day-to-day business activities. The articles are responsibilities, public interest, integrity, objectivity and independence, due care, and scope and nature of services. The responsibility article states that accounting professionals must use receptive, proficient, and ethical judgments in all activities. The public interest article states that accountants must serve the public interest with commitment and trustworthiness. The integrity article asserts that integrity broadens confidence. The objectivity and independence article serves to avoid conflict of interest and bias. The due care article instructs accounting professionals to perform technically and ably while striving to improve. Lastly, the scope and nature of services article tells <https://assignbuster.com/aicpa-code-of-ethics-essay-sample/>

accountants to use the code of professional conduct as a guide for which jobs to accept (AICPA, 2006).

The next section of the code of professional ethics is the rules: applicability and definition. This section allows for who is responsible for following the code of ethics. All members of the AICPA are required to follow the guidelines set by the board. All members need to monitor and enforce the rules upon all persons within their control, such as subordinates, coworkers, and clients (AICPA, 2006). This section of the code also defines all terms used to avoid misinterpretation.

The most important section of the code is independence, integrity, and objectivity. “ Maintaining integrity and objectivity calls for avoiding both actual and apparent conflicts of interest” (Bookrags, 2006). This concept is independence. In accounting, independence is to act (and the appearance to have acted) unbiased, impartial, and objective. Independence is the fundamental concept to the accounting profession. The accounting work product has no value if these rules of independence, integrity, and objectivity are not followed.

In the independence section of the code, the areas that put independence at risk are listed. Relationships are a key factor. For example, accountants must avoid any relationships that may result in the dependence on a particular client, including financial interests and client management. Accountants should not audit a company they own stock in. The task of the accountant should reflect the results of client’s operating decisions and not the accountant’s opinion.

The last three sections of the AICPA code deal with the accountants responsibilities to the people who they serve. Accountants have duties to their clients, their colleagues, and to themselves. These duties include professionalism, confidentiality, and credibility. Members of the AICPA must behave in a business-like manner. An accountant should never disclose confidential information. Accountants must instill confidence and belief from those they work for and with.

Enforceability of Code

The accounting profession is regulated by professional associations and not the government. These associations include the AICPA, the Institute of Management Accountants (IMA), and the Institute of Internal Auditors (IAA). Each of these organizations has internal means to enforce the code of ethics. To practice accounting, members must obtain a license from their state. Most states require enforcement of the AICPA code. Violations of the code of ethics can lead to loss of license, expulsion and recommendation for investigation. Investigation can lead to more adverse consequences because of state and federal laws (Bookrags, 2006).

Members of AICPA who perform audits of public corporations are subject to federal securities laws and regulations, including the Securities Exchange Act of 1934. These laws are administered and monitored by the Securities and Exchange Commission (SEC). The SEC regulates companies that are publicly traded. The SEC requires publicly traded companies to have their financial statements audited by an independent CPA. The SEC establishes and

enforces the auditing standards and procedures for this purpose (Bookrags, 2006).

Certain code violations will lead to civil accountant liabilities, while some can lead to criminal accountant liabilities. Fraudulent financial reporting is reported to the SEC and can lead to criminal prosecution. Malpractice is reported to the AICPA and can lead to civil liabilities. In the financial sector, insider trading is closely monitored by the SEC, and they have the right to ask the courts to impose criminal and civil penalties.

Conclusion

The function of ethics in business is to guide business people to follow a code of conduct that assists and supports public confidence in products and services. Ethics in accounting allows professionals to provide financial services while maintaining a high degree of integrity. A proper code of ethics will aid in the decision-making process for situations that involve ethical questions. Accounting professionals are expected to maintain a level of objectivity, integrity, and independence in order to obtain the public's confidence and trust. The AICPA's Code of Professional Conduct serves as the guideline to meet this expectation.

References:

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