

Accounting essay

Profession



**ASSIGN
BUSTER**

Accounting Ethics

Accounting Ethics

In philosophy, ethics is defined as the human ability to judge of what is wrong or right based on society standards by which a person a person can be judged. Ethics is also a popular term that is being observed in several disciplines and theory of moral principles. Accounting for example is where ethics is crucial because it does not only concerns the integrity of the accountant, but the amount of trust and responsibility by which the company they work for bestowed to them is also on the line. It is apparent that accounting deals with an organization's finances. Therefore, any misconduct or lack of value to their profession means disaster to the organization that the accountant works for. The most crucial thing about accounting is that the type of information they keep determines the rise and fall of the organization. If the accountant lacks ethical value, it is likely that the organization will also be affected in a way that the decision maker might create a decision based on false information provided by the accountant.

As a result of misconduct, the organization might end packing down the road or anticipate false hopes of success. In the fundamental principles of accounting ethics, the most distinguishing mark of a professional accountant is being ready to accept the responsibilities of acting appropriately for the greater public interest. The responsibility is not limited to just providing satisfactory work quality for the sake of the employer or individual, but to put the public's best interest as an utmost priority (International Federation of Accountants, 2006, p. 7). An ethical accountant must have objectivity,

competence, integrity, professional behavior and confidentiality. Only professional accountant that would deviate from the aforementioned principles are generally violating trust that the profession itself established for him. Even if the account was able to accomplish what his superiors have asked him to do, if the methods and practices employed in executing that action is ethically unacceptable then, the accountant is no longer trustworthy of his title as a financial keeper of the public.

Apart from the fundamental principles mentioned earlier, an accountant should also observe an independent behavior by which transpires competence. Independent characteristic is basically associated to public accountants because independence is often linked to assurance engagement. Assurance engagement is defined as an engagement in which an accountant in public practice is expressing conclusions that are designated for the purpose of uplifting the degree of confidence of its intended user (International Federation of Accountants, 2005, p. 1, 207). In general, a public accountant that provides assurance service needs to be independent of any assurance clients they encounter. The reason behind that is to keep the accountant from making bias decisions and be able to make conclusions that will be beneficial not only to a single group or individual, but generally to the public. It is necessary for public accountants to express conclusions in manner that he would be suspected of favoring anybody. Being independent entails resistance to conflict of interest and outside influences.

When talking about being independent, it includes independence in appearance and independence of mind. Avoiding facts and circumstances

<https://assignbuster.com/accounting-essay/>

that may affect a public accountant's conclusion making is an example of independent in appearance. A public accountant should always ensure of his assurance team's objectivity, integrity and free from skepticism (Hong Kong Institute of Certified Public Accountant, 2010, p. 121). Accounts that are keeping close connection to groups or individuals that are financially influential, might be taken differently by the public. There is always a conflict of interest involve in accounting profession, what's more for a public accountant. There are several people who might want to get as close as possible in establishing a mutual relationship that will enable favorable gains. Accountants that are negligent of keeping their independence in appearance are not likely to be trusted to give independent advice. This is because the skepticism that there might be a conflict of interest is a risk that anyone wouldn't want to experience.

The same goes for the independent of mind, it is the same as the independence of appearance meaning, the public accountant must not only perceived as independent in his actions, but also the way he behaves and make conclusions. There are a lot of threats to independence, those threats must be identified in order to be avoided assurance engagement. Self interest threat is among the most common in many accountants (CPA Australia Ltd, The Institute of Chartered Accountants in Australia & the National Institute of Accountants, 2008, p. 8). For example, a member of the team provides financial advice to trustees that holds superannuation funds in which in the member's own fund is associated. There is a clear self-interest involve in the scenario. Therefore, in order to avoid conflict of interest the

accountant should not be in the same assurance engagement where his own funds are incorporated.

Integrity is another important word for accountants, this is also one of the things that often been ignored in the principles of accounting disciplines. However, its immense importance is based on the notion of trust. Investors and credits alike rely on accounting information to be able to make decisions of when or where to put their money into. The information created and developed by accountants is a blueprint of the firm's financial direction. Anything that are not accurate in the information provided by the accountant has a great impact to the future of the firm. If the presented financial data appear to be inaccurate, it implies its lack of integrity. Therefore, information integrity also reflects to the accountant's integrity itself. The question of competence comes in the picture in issues of integrity. Whether or not the accountant knows what he is doing or the inaccuracy of data is intentional for whatever purpose it is still goes down to question of integrity (The Institute of Chartered Accountants of Scotland, 2009, p. 11).

Several issues branches out when talking about integrity because it also involves security. A wrong information released to the firm's decision maker will lead to only two direction, one is to shortfall and the other is over-anticipation. In the matters of security, even if the accountant is sure about the integrity of his information, there is still a possibility that security has been breached and the data are compromised leading to errors in numbers reflecting a shortfall or excess. In ensuring integrity of the presented data during a financial review, it would not hurt to double-check what has been done. The accountant might have been honest in any way possible, but <https://assignbuster.com/accounting-essay/>

someone in the organization is doing the same there could be a possibility that other's lack of integrity might also reflect on the accountant's own reputation. Besides, integrity is based on the principles of honesty.

Therefore, it should be the same moral values that accountants should live by all through out their career (Joseph, Pergola and Butler, 2011, p. 6).

Given all the ethical standards and the technical qualifications that an accountant should possess in his profession, it comes down to how he diligently integrates the two in accounting discipline. The way an accountant observes ethics and technical knowledge of his profession is an indication of exercising due care. This includes the continuous development of accounting knowledge by adapting to different approach that the organization benefit from. Developing competence is also an indication of due care because it entails further improvement of the quality of service they provide to the organization. It is basically related to how accountants perform beyond what is expected of them (Al-Aidaros, Idris and Shamsudin, 2011, p. 102). Due care is also viewed as a professional responsibility. The perfect marriage of ethics and technical acumen is a recipe to create an effective accountant. In fact, due care is known to be the fifth most important principle of CPA's code of conduct. It is a combination of diligence and knowledge. Diligence in a sense that the accountant knows how to determine and make judgement between what is right or wrong. On the other hand, technical knowledge defines an accountant's skills to perform in the professional field. Acting for the benefit of someone else's expectation is a grueling task, the amount of careful analysis and technical skills involve in the work process is immense in order to ensure that the expectations are met if not surpassed.

For a CPA, the responsibilities involve calculating tax and providing financial consulting services for clients that are usually of high standards because of the great amount of details involved. The fact that the primary role of the CPA is to serve the greater public, diligence is a prime commodity that they all need to possess. The requirements that people are expecting from a public accountant is normally the expertise to handle and interpret financial subject matters, which requires great technical knowledge. However, apart from knowledge expertise CPA's must also have reasonable amount of thoroughness and diligence to fulfill engagements and service the clients with due care of the highest standard. The nature of due care depends on the level to which the service is being provided or specialized. CPA's usually are the providers of the highest service level. However, because of the level of standards required of them and the responsibilities that they all had to own makes due care more crucial for them.

Professional services on the other hand should also exercise due care. In fact, all accountants should all practice due care not only because it is one of the expected definition of them, but it is part of their professional code. Even if professional service accountants serve only a particular organization, their due care practices has a great impact to the organization as a whole because firms depend on them for financial decisions. The only difference between a CPA and a private accountant is that CPA's doesn't know who will be user of their attestations, audits and reviews. Private accountants on the other hand already have the expectations of whom will using his audits. Therefore, CPAs have to ensure that their insights are not bias or contains conflict of interest, which explains the reason that due care is considered

one of the main foundations of core CPA services. Private accountants on the other hand, should have both the initiative, objectivity and or course due care in consistently meeting the expectations of the organization in which he is associated with. Nevertheless, all accountants in general must possess the key values that define their profession and never to deviate from their ethical standards.

References

- Al-Aidaros, A. (2011). The Accountant's Ethical Code of Conduct From an Islamic Perspective: Case in Yemen. *Journal of Global Management*, 2(1), 102.
- CPA Australia Ltd, The Institute of Chartered Accountants in Australia & the National Institute of Accountants (2008). Independence guide: interpretations in a co-regulatory environment. *The Joint Accounting Bodies*, (3), 8.
- Hong Kong Institute of Certified Public Accountant (2010). Code of Ethics for Professional Accountants. *Code of Ethic*, 121.
- International Federation of Accountants (2006). Code of Ethics for Professional Accountants . *International Ethics Standards Board for Accountants*, 7.
- International Federation of Accountants (2006). Code of Ethics for Professional Accountants. *Code of Ethics*, 2006.
- Joseph, G. W. (2011). All you have to do is rearrange the numbers. *Journal of Business Cases and Applications*, 6.
- The Institute of Chartered Accountants of Scotland (2009). *Shades of Grey. Ethical Dilemmas*, 11.