

The Reasons of Considering Ethics in Accounting Job

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Abstract

In the current commercial environment, the role of accountants is important. Indeed, accountants have key role in success and dynamics of organizations. Based on their vital role in organization, it can be said we can rely on the accountants and the results of their work as we can consider suitable level of professional ethics. Achieving accounting goal without ethics is impossible. Indeed, the society has great expectations of these people and the people should trust in the services presented by this group. Thus, the information presented by accountants should be reliable and non-biased. Thus, accountants should have high honesty. This study investigates the role of ethics in accounting.

Keywords: Professional ethics, Professional behavior, Accounting

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Introduction

Accounting job is one of the hardest and most disciplined jobs all over the world and due to the type and nature of services presented should have specific validity and trust. The continuance of this credit and improving it depends upon theoretical and practical adherence of profession members to their behavioral and ethical regulations (Technical

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committee of audit organization, 2006). Among the inclinations guiding the society to prosperity, religion and ethics are unavoidable supports. Ethical values provide a foundation for a civilized and excellent cultural and behavioral society and without this foundation, the civilized society is collapsed (Smith, 2003).

To achieve high transparency and efficiency in society, its members should adhere to professional ethics to attract the society trust. Based on the importance of this role, ethics concept has important role.

Armstrong et al., (2003) states that much consideration to ethics is necessary in accounting and they believe that “much ethics should be trained in accounting training”.

The accounting scandals had adverse effects on the validity of this job and it caused that the commercial communities improve the ethical decision making in accounting job. By these great problems, the firms attempted to use ethics in accounting and audit jobs, training ethics in accounting education and using questions with ethical content in certified accountant tests (Wisbroad, 2009).

The researchers and theorists state two main reasons of these problems as: First, the lack of supervision and policy making and second, the shortage of ethical content of accounting training courses. Some critics believe that the shortage of state supervision and law making can lead to such scandals. Thus, we should consider the increase of rules namely Sarbanes-Oxley law. Various theories are presented regarding the success of these rules (Alipour and Mahdavi, 2010).

Professional ethics in accounting

In the present economic advanced world, accounting is an important job as current economic system can not exist without it. If there is no method and techniques to compute the existing wealth and goods in the world and their distribution, trading and business are stopped. The efficiency of financial markets depends on the fact that they perform their trading based on true image of financial values of trading assets and these images are only drawn by accountants (Doska, 2003).

Accounting is the set of rules and methods by which financial and economic information of an institution is collected, classified and summarized as accounting reports and is presented to interested and stakeholders for decision making. These people can be aware of the financial condition, results of operations and future perspective of institution (Alimadad and Malekarayi, 2012).

If there is professional ethics in a job, the job will promote, otherwise we should wait for its collapse (Eskandari, 2012).

The difference of accounting job is accepting responsibility to the public. People expectation is high regarding accountants and people should trust in the quality of the presented complex services by accounting job but keeping public trust to accounting is possible as professional accountants present their services in a level suitable for society trust. Thus, the services of accounting job should be presented at highest level with

some regulations as guaranteeing the continuance of these services with suitable quality (Alison et al., 2001).

The general principles of ethics as agreed by society are honesty, impartiality, confidentiality and independence.

The benefits of developing profession ethics in accounting

In case of the development of ethics in society and increasing creativity level, awareness and sensitivity to ethical issues can be increased in society as the issues with ethical concepts in accounting can be recognized. Ethical commitment or responsibility can be established in society and the society can prepare itself for probable ethical involvements. A plan is formulated for current evaluation of ethical requirements and ethical regulations can be used in decision making. We should consider this fact that without creating ethics management plan, the organizations can not manage ethics in work environment. A ethic plan is composed of values, policies and activities affecting the qualification of organizational behaviors. Ethic plans can include training and wide evaluations. They play as guiders in ethical problems. Based on the organization needs and the considerable values of each organization, rarely, two ethical plans are similar to each other.

The effects of ethics internalization in organization environment

Considering work ethics leads to the basic improvement of the conditions of some communities. Ethic plans cause that under problematic conditions, the organization can keep its ethical performance. Ethic plans can form strong group works and increasing productivity and coordinate the employees behaviors with the values that are on priority according to the organization leaders. Normally, the organizations see obvious contradiction between the preferred values and the values reflected by employees behavior in work environment. Continuous consideration and discussion about the values can increase team work morale, honesty in work place. The employees feel that there is a consistency between their values and required values of organization and they work with strong motivation and performance.

Ethical models

To investigate the ethical condition of organization and guiding it to achieve good point of recognizing the morale of managers and accountants is necessary (Vadie et al., 2012). Briefly, ethical models presented to describe the behavior of accountants and managers can be explained briefly as:

The model of inclination to benefits

Based on benefit approach, public benefits are higher than personal benefits (Delaports, et al., 2008).

Benefit approach focuses on the outcomes of measurement or method and ethicality criterion of each action or behavior is public benefit of the action (Barnet et al., 2004). Clearly, benefit follows consider the goal leading to the highest enjoyment or benefit

and least loss for the most people in society. This ethical approach is not for ethical extreme behaviors and it is called non-ethical approach.

Pragmatism model

Pragmatism doesn't present any logical ethical principle and in case considers the manner of behavior leading to success (Felangan et al., 2007). Thus, based on pragmatism approach, only the benefit of decision maker requires recognition. Egotism is not the applied basis for formulating ethical standard. This approach can be considered a standard for decision making with deep ethical concepts. Although, this approach cannot be considered as basis by which they take non-ethical decisions, we should say when encountering with the selection between ethics and personal benefits, economic theory indicates that personal benefits are on priority (Krikgeler, et al., 2007).

Religious model

Religious ethic inclination is the one guiding a person to be the best from ethical issues and the recognized source of this ethical inclination is God. God determines ethical path by the aid of prophets and their greatest miracles, their Books. Religious ethics propose ethical regulations as honesty, respecting others life, respecting others assets, affection to each other and the like can be proposed. However, most firms mostly consider their materialistic profit and don't put religious ethics on their priority. In addition, it is possible some conditions are occurred as a person can face some problems in determining the ethical practice. Thus, religious approach is a developed approach and it can be studied in various conditions (Riahi Belkuyi, 2002).

Deontological model

This approach mostly focuses on the practice than on the results of behaviors. According to this approach, accountant has ethical duty for fair expression and honest opinion about financial performance of firm. In deontological approach, the behaviors of an accountant are based on the duties in accounting and the person employing an accountant expects ethical behavior. The problem of deontologicalis as there is no basis for continuing evaluation of what is the best. In other words, deontological followers by emphasis on duties and initial ethical regulations consider themselves as responsible and not concerning and agent of considering or computing the outcomes and benefits of acts (Riayi Belkuyi, 2002).

Hermeneutic model

Hermeneutic is the knowledge interpreting texts. indeed, the main issue of Hermeneutic is how understanding process is done. Hermeneutic is the knowledge of interpretation or semantic and it is associated deeply with various fields as ethics, theology, philosophy, art, aesthetics, literal critics, Holy Books interpretation, Economics, management, accounting and etc. In accounting, hermeneutic approach means the inclination to interpretation of events and past economic events of firms (Davidson et al., 2000).

Accounting scandals

Indeed, ethics in organization namely financial sector and accounting prevents the problems in this regard. For example, we can refer to the followings:

Since 1980, there have been many accounting scandals reported widely by media. For example, when KPMG company couldn't overcome wrighaid company audit and trust in drugs chain stores, gave up its financial statements audit. The top financial manager of wrighaid Company after the company re-stated three continuous years income and reduced it to 500 million dollars, resigned (Hill, 1999).

In March 1999, a claim was presented against the company and some of the top staffs and managers being accused of forgery, unreal report, inflation of net profit, violating accounting accepted principles and non-disclosure of unsuitable information about operation and commercial performance of firm. Auditors were also guilty regarding the disclosure of this forgery (Doska, 2003).

In May 1999, securities commission presented a claim against the management of Greece Company for reporting the figures for misleading the partners of capital market. This commission accused the managers of Greece Company to hide and store a part of unpredicted profit for further applications. He claimed that this company in 1995 applied a part of hidden profit for earnings reporting by a part of hidden profit (Katz et al., 1999).

Securities commission stated that auditors of audit company of Price waterhouse were aware of this false accounting but ignored it based on "insignificance" (Katz et al., 1999).

In January 2000, New York Times reported that securities commission found that partners and employees of price waterhouse and Coopers Audit Company violated the rules preventing them of the ownership of the share of the firms as being audited. The investigations show 8046 violations in this company and dismissing 5 partners (Mikels, 2000).

The exact investigations by securities commission show that high volume of accounting forgeries are ignored by auditors in audit of the firms as Sendant, Sunbim and Liont. Thus, shareholders were at loss as 100 million dollars in these firms and the trust on accountants was problematic (Berens, 2004).

On December 2, 2001, Enron Company disclosed the collaborations of executive managers and other accounting scandals and registered the biggest bankruptcy in US history. Six weeks before this data, Enron Company re-stated its profit and loss figures to 1997 and reduced about 600 million Dollars of reported profits (Duska, 2003).

The continuous events in terrible failure of Enron Company disclosed new stories of collaborations of managers, torn documents. Everything was disclosed about this scandal and it included 150 billion dollars bankruptcy, 32 million losses in total market value of capital and more than 1 billion dollar of dismissing the employees (Duska, 2003).

The errors and disputes of Arthur Anderson, auditor of Enron company were considerable. Anderson was external auditor of Enron company since 1980 and became the internal auditor since the mid 1990. Anderson received good reward in two sides (as independent and internal auditor).

In 2000, the income of this company was \$25 million in audit fees and \$27 million in consulting fees and other financial services. Perhaps, the auditors of Anderson Company cleared all these relations from their mind and gave their impartial views. But it can be said how Enron company is the only newest case of continuous disorders of accounting after Sendant company. Lin Turner, top former accountant of securities commission stated in the report that in the past years, investors were at loss for 200 billion dollars in re-statement of profit and lost their entire value of capital market in investment market for the negligence of auditors (Duska, 2003).

It seems that this trend was increasing and the numbers of financial re-statements have been increased from 116 to 233 cases (Sarbanes-Oxley, 2002).

There are many stories regarding many of non-ethical behaviors of auditors but we shouldn't accuse all accountants and audit institutions to such behavior. These stories show that ethical sensitivity and ethical behavior in accounting profession are of necessary items. Fortunately, in the past centuries, the importance regarding the ethics and ethical behavior as generally and application of ethical principles in commerce in accounting specifically is increased (Sarlak, 2008).

Solving ethical problems

According to third section of ethical principles in AICPA profession behavior, to develop public trust, the profession members should perform all their professional responsibilities with the highest honesty. The important question is that accounting as a profession can be released of this disorder arising from violating ethical problems and achieves their trust by returning to their mission. The role of government and using strong punishment tools for those acting in contradiction to ethical rules is unavoidable. Professional associations have critical role and by formulating the profession ethical principles and prediction of executive guarantee of these principles can develop ethics. By being assured of ethical qualification and profession responsibility of people and appointing top accountant to respond the problems, profession associations (Kuchan, 2002) can prevent the influence of the people with weak ethics and by providing some forms for ethical evaluation of managers and other members completed by customers after work completion can have exact investigation.

The role of universities and educational centers is unavoidable and they should have special consideration to ethics for future manager education (ISIB.2003). Ethics headline in accounting can be included in academic textbooks. Also, students should be aware of key role in organization. The presentation of real and tangible samples for better understanding of students in organizational ethics is also effective.

Final conclusion

If suitable norms are created in society and ethical problems are red lines as fearful, ethics training can be common in society and we can expect a society without ethical problems. Here, the important role of government, top managers, legal system and supervisory systems, professional associations, universities and educational centers is unavoidable and in case of not considering this goal, unavoidable damage is imposed on society. Finally, it can be said, there are many problems now and in future and we should be realistic in this regard and expect to have ideal condition, without any problem and by patience, hardworking and special attention to ethics, we can prevent non-ethical issues to avoid the damage to its acceptability in society.

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