

*ETHICS IN ACCOUNTING*

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**ABSTRACT:**

Accounting is that the main index for the economy of the many countries. Without reliance on it no economic activity is possible. Society has several expectations from accountants and other people ought to trust the standard of offered services by them. Thus, their information should be real, reliable, honest, and unbiased. Last 20 years have witnessed a big rise in financial scandals associated with misstatements and monetary frauds involving number of accountants and major accounting firms. Failures of the management reporting and oversight method are being thought-about as some major moral problems. Therefore, this modern era and business world needs the accounting profession to uphold transparency and supply accurate financial reporting. Accountants thus, who are responsible for producing correct, concise, and timely financial reports, should uphold the best standards of ethical responsibility.

**KEYWORDS:** Ethics, Accounting, Ethics in accounting, principles of ethics in accounting

**INTRODUCTION:**

Accounting is a valuable knowledge and an index for countries' economy. No economic activity is possible without reliance on accounting. Accounting deals with the information about financial status, performance and profitability of economic enterprises. This knowledge is the basis of financial and monetary systems, playing a key role in creating responsiveness and clarification in economics.<sup>1</sup> High amounts of frauds in which accountants and auditors have been involved lead to ambiguities and questions about honesty and rectitude of Accountant professional and auditors. There has also been a growing concern regarding the ethics associated with accounting profession.

Ethical standards and principals are crucial for any profession that intends to advance their professional aptitudes and develops overall business efficiencies. In fact, accounting is a

profession that comprehensively depends on the professional's judgement and their principals which incorporates objectivity, independence, confidentiality, competency, integrity and professional behaviour.<sup>2</sup> Then, by performing different functions, such as, recording all business events with financial character, classifying and summering them, recording and presenting them in the form of profit and loss statement, balance sheet and cash flow statement accounting helps businesses to track their financial events. All these activities are very critical to perform and requires ethical standards to be maintained throughout the process, thus accountants are considered as the front runner in business while it comes to upholding a quality financial report and provide the interests groups with reliable financial information.

#### **ACCOUNTING PROFESSION:**

Accounting is a science that collects, classifies, summarizes, and represents financial and economic information of a business unit and gives them to the users for decision-making. Every profession has features as follows: - Existence of minimum predetermined conditions for entering a job such as necessary technical skills that are achieved through education and experience - Commitment of members to a set of principles, rules, and values Since accounting has the above features, it is considered a profession and for being professional, an accountant should be loyal to meet needs and interests of customers.<sup>1</sup>

#### **ETHICS:**

Ethics can be defined as a branch of philosophy, regarding values according to human behavior in relation with goodness or badness, wills, or consequences of actions. In a wide definition, ethics is a set of principles or moral values.<sup>3</sup> Every human has a set of values that considers them as correct in some cases or ignores them in other occasions. ethics is the discipline that exhibits the matters related to evil and good, wrong and right.<sup>4</sup> Ethics are used to examine moral principles, human behavior, and their efforts to distinguish between good and bad.

### **ETHICS IN ACCOUNTING:**

Ethics in accounting is especially referred to as applied ethics, which mainly emphasizes human and business ethics, judgments, moral values, and their application in accountancy. Generally, the main ethical drivers of accounting are a proper practice and a good standard of professionalism. According to Micewski and Troy, the ethical responsibility within the business world is not holistic, but lies under the particular context of ethical behavior. A majority of the companies in the world have observed ethical issues within in the accounting processes, which result in increases the potential for conflict of interest. Breach of ethical rules within the corporate finance practice, through financial misstatements, usually results in damages of an organization's reputation, customer satisfaction levels, and the trust of investors on the company. The role of accountants with reference to the timely and accurate preparation of financial reports is of significant importance to decision-making by investors, managers, and other senior management officials. Adherence to ethics in accounting also aids in ensuring compliance of internal control systems with standards. Therefore, accountants can identify and measure resource wastage, investigate, and perform roles that can contribute to the improvement of policy formation and fraud identification in an organization.<sup>5</sup> Unethical behaviors not only destroy the reputation and credibility of an individual, but the company as well, increasing the likelihood of criminal activities that could result in the reduction in profit levels. Therefore, it is necessary for accountants to strictly adhere to the principle of ethics in accounting.

### **PRINCIPLES OF ETHICS IN ACCOUNTING:**

- **Honesty:** Accountant should be honest at his job. Only in that way, he can help his profession. Simply put, if this principle doesn't hold, the other principles will not exist. Necessity of fulfilling other principles is honesty. It means that the man believes that God sees him all the time and he should do well in every situation.
- **Objectivity:** A registered accountant should be objective. He should not allow prejudgment, bias, interest conflict, or others' penetration hurt his objectivity in offering professional service.

- **Professional Qualification and Care:** A professional accountant should accept services that can afford and use cooperation or consultation of others. A professional accountant needs to promote his professional knowledge and skills for revolving new techniques and methods or adaptation of rules in a way that his employer makes sure of getting efficient professional services.
- **Secrecy:** A professional accountant should pay attention to information confidentiality he gets during offering professional services. He should not disclose or use that information without permission of his employer; unless there are legal or professional rights or requirements for that.
- **Professional behavior:** A professional accountant should behave in a way that it consists with his reputation; he also should avoid actions which stigmatize his name or professional credit.
- **Professional standards:** A professional accountant should offer professional services based on professional standards. Service offer must meet the requirements of employer skillfully and precisely and simultaneously accords with necessities of honesty, objectivity, and professional independence.

#### **CONCLUSION:**

Ethics holds an essential role in accounting in order to ensure efficiency, integrity, accuracy, confidentiality and presentation of accurate financial information for any corporation. Understanding and upholding business ethics is very important for the overall business activities. An organizations stability and survival depend on the consistency and quality of ethical financial decisions made by accountants' ethical practices not only increase the level of profitability but also increase customers loyalty which helps in retaining customers, create goodwill for the organization and optimum utilization of the organization's resources. On other side, unethical accounting practices such as manipulating accounting date in order to display higher profits, not

recording expenses into appropriate time period, recording inventories at higher values and falsification of lease assets can not only results in misrepresentation of organizational financial status but can also become a threat to its existence.

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