



A TREND STUDY ON ETHICS OF PROFESSIONAL ACCOUNTANT

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ABSTRACT:

A professional Accountant is an expert accounting personnel of the organization as well as in public practice. Ethics of a professional accountant means following of some fundamental principles of accounting system in the organization. Ethics in accounting system helps a professional accountant to be useful for the society in the long run. Integrity, objectivity, attainment of professional competency and professional behaviour are some of the fundamental principles of accounting ethics which should be taken care by a professional accountant. It is the general phenomena that a professional accountant may come across different threats in the course of his profession either in organizational level or in public practice. The threats may be of self-interest, self-review, advocacy, familiarity etc. which needs to be resolved very carefully by a professional accountant. In order to resolve the threats the professional accountant should be well versed with the techniques of relevant facts, issues on ethics, fundamental principles, internal procedure, and alternative course of action. Ethics in accounting related to the fact of observation of an accountant while maintaining the accounts or while finalizing the accounts. In both the cases the professional accountant should be more careful for protection of the credibility of accounting profession. This article aims at how a professional accountant can able to protect the ethics of accounting profession and utilize various techniques to resolve the ethical conflict of the organization.

KEY WORDS:

Fundamental principle, professional competency, self-review, relevant facts, disciplinary procedure, intimidation.

INTRODUCTION:

Accounting is the process of maintaining and supervising different books of accounts of an organization in a systematic manner. The person who is in charge of maintaining accounts is known as accountant. A professional accountant is an accountant who has expertise in maintaining different types of accounts. While maintaining the accounts a professional accountant has to come across different complex situations which may hamper the credibility of accounting profession. It is

desirable on the part of an accountant to follow the rules and regulations so that the accounting profession will not be blamed or humiliated. This is otherwise called as ethics in accounting.

Ethics deals with the ability to differentiate between right and wrong. Accounting ethics refers to the standards of right or wrong conduct that applies to accounting profession. Different accounting organizations maintain professional codes of conduct to assist accountants with upholding ethical behaviour. Ethics for professional accountants refers to those codes of conduct or moral system that provides criteria for evaluating right or wrong.

A professional accountant is associated with public and private sector should remain impartial and loyal to the ethical guidelines. Whenever a professional accountant encounters with the ethical issues regardless of the industry should regularly be vigilant so that the outside forces cannot get the scope to manipulate accounting records. Manipulation of accounting records will lead to both ethical and criminal violations.

Accounting profession is a remarkable field where its acceptance of the responsibilities and act for the interest of public. So a professional accountant is not only responsible to satisfy the needs of the client/employer but also observe and comply the ethical requirement of the society. Professional accountants are required to apply professional ethics in order to safeguard the fundamental principles of accounting. So that there will not be any threat for compliance with the fundamental principles to be compromised. Professional accountants in public practice should apply the code of conduct and fundamental principles so that it can safeguard the threat of compliance.

OBJECTIVES OF THE STUDY:

- 01.** To highlight the fundamental and ethical principles of a Professional Accountant.
- 02.** To find out the threat those arise by following the fundamental principles.
- 03.** How to safeguard the threats by a Professional Accountant for benefit of the society.
- 04.** How to resolve the ethical conflict by a professional Accountant.

RESEARCH METHODOLOGY:

The present study is an analytical character. The data and information of this study is based on secondary data. The data are collected from text books, journals, published materials, research articles etc. Some of the data are also collected from the web site in order to make the study more explicit in nature.

FUNDAMENTAL AND ETHICAL PRINCIPLES OF A PROFESSIONAL ACCOUNTANT:

A Professional Accountant is not meant for the organization alone. He is a professional by character for the entire society. He should have to follow some fundamental and ethical principles for the benefit of both the organization as well as for the society.

- 1. INTEGRITY:** It is considered as one of the most important fundamental principle of a professional accountant. Being an accountant by profession he should be a man of integrity. A professional accountant should be a honest and straight forward person in all professional and business affairs for all times to come. The principle of integrity has an obligation as part of professional accountant to be honest in all business relation. He should have the character of fair dealing and truthfulness in all business related matters.

Integrity of a professional accountant is considered when he is not dealing with misleading information in connection with business. He should deal all the business and financial statements with utmost care and confidence. The omission and commission of errors in any of the business information may lead to misleading results. While dealing with the financial records he should be more cautious. It is not desirable for a professional accountant to breach the trust while dealing with business relation of the organization. Honesty and integrity should be the fundamental and ethical principle of a professional accountant.

- 2. OBJECTIVITY:** This is another fundamental and ethical principle of a professional accountant. This principle enables a professional accountant to be objective in character. He should not allow undue influence in order to override business judgment. He should not allow any conflict of interest in professional business. It is not desirable on the part of a professional accountant to compromise their professional or business judgment for bias and undue influence of others. It should be the ethical and moral duty of a professional accountant to expose those situations which may impair the objectivity. Unfair and undue influence relationship of a professional accountant should be avoided for protection of ethical principle in business organization.

- 3. PROFESSIONAL COMPETENCE:** Being a professional accountant it is his moral and ethical responsibility to provide better service to his client as well as to the employer. So it is desirable for a professional accountant to be update in professional knowledge and skill. This competency ensures that the client and the employer can able to get competent professional service. A professional accountant should be well versed with current

legislation and technique. He has to work according to updated professional standards. Competent professional service ensures a professional accountant to exercise social judgment by applying professional skill and knowledge in performance.

Professional competence has been divided in two categories.

(A) ATTAINMENT OF PROFESSIONAL COMPETENCE: It refers to a process where the professional accountant is required to attain regular awareness and understand relevant technical professional development technique. This can enable a professional accountant to perform efficiently within the professional environment.

(B) MAINTENCE OF PROFESSIONAL COMPETENCE: A professional accountant should not only attain professional competency but also maintain it perfectly for his clients and employer. He should ensure that those who are working under him must have appropriate knowledge and expertise. A professional accountant should know his limitations while rendering professional services for clients and the employer.

4. CONFIDENTIALITY: This is one of the important principles of a professional accountant. This is an obligation with a professional accountant to protect the confidentiality of profession as well as business relationship. It is not desirable on the part of a professional accountant to disclose any information to any of the third party. When there is a legal compulsion the information relating to business can be disclosed to the third party. The business information should not be misused for personal gain of a professional accountant. The professional accountant should maintain confidentiality even in social environment. He should be alert for possible disclosure of information in situations like long association of with the business or a close associate of immediate family member. It is not obligatory on the part of a professional accountant to disclose the business information unless it is permitted by law.

The professional accountant should consider the following points while he desires to disclose business information to the public.

- (A)** If the interest of the parties cannot be affected or harmed by disclosing the business information.
- (B)** When the relevant information is known and substantiated by the parties of information with relevant facts and figure.
- (C)** While communicating the information the professional accountant is satisfied that the information is meant to the appropriate person for whom it is addressed.

05. PROFESSIONAL BEHAVIOUR: As the name suggests a professional accountant should behave like a professional. It is desirable on his part to comply with relevant rules and

regulations and avoid any actions that discredit the accounting profession. This is an obligation on the part of a professional accountant that his behaviour should not harm the credibility of the business as well as the owner. He should not do anything which will undermine the reputation of either the organization or the accounting profession.

THREATS FACED BY A PROFESSIONAL ACCOUNTANT:

While complying with the fundamental principles a professional accountant has to face some potential threat from different angles. There may be some circumstances which have a potential threat for a professional accountant. Some of the threats are as follows:-

(A) SELF INTEREST THREAT: When any financial matter occurs which goes against the interest of the professional accountant. On the other hand if a close family member interest is hampered at that time this type of threat will be faced by the professional accountant only.

EXAMPLE: (I) Having a close business relationship with a client.

(II) Concern about the possibility of losing a client.

(B) SELF-REVIEW THREAT: This is a situation when a previous report on financial matter needs to be re-evaluated by the professional accountant. If the professional accountant is responsible for that judgment then this type of threat will come into existence.

EXAMPLES: (I) Reporting on the operation of financial system after being involved in their implementation.

(II) Preparation of original data which are used to generate records that are the subject matter of engagement.

(C) ADVOCACY THREAT: In this situation the professional accountant needs to compromise the opinion of the subsequent position related to financial matter. In such situation the professional accountant should argue the previous financial position.

EXAMPLES: (I) Promoting shares in a listed entity and later the entity is found to be the financial statement of a client.

(II) Behave as an advocate on behalf of a client in dispute with third party.

(D) THREAT FOR FAMILIARITY: This is a situation when a professional accountant desires to be sympathetic to some of the close relatives who are quite familiar with the professional accountant. In these circumstances the professional accountant needs to be favourable towards some of his close family members.

EXAMPLES: (I) an employee is in a position to exercise direct influence over the subject matter of engagement.

(II) A member of the engagement team who is a close family relation with the employee.

(E) INTIMIDATION THREAT: This is a situation when a professional accountant perceives some sort of threat to him while working towards achievement of the objectives of the organization. The situation may come or may not come but the professional accountant perceives that there may be a threat.

EXAMPLES: (I) Threat of dismissal in relation to client engagement.

(II) Threat with litigation.

All the above mentioned threats may arise for a professional accountant who is in public practice as well as in business. When these threats arise it is the ethical duty of a professional accountant to be objective oriented. In no circumstances he should succumb to these threats in his professional career. Hence it is said that during course of operation a professional accountant may face different categories of threat but he should not be disturbed when these threats arise.

The ethical and moral responsibility of a professional accountant is to safeguard the threats he used to face in his professional career. For the benefit of the accounting profession as well as for the society he should not undermine a threat rather tries to innovate the technique how to safeguard those threats.

THREAT SAFEGUARDING TECHNIQUE:

All the threats which are come across for a professional accountant needs to be safeguarded. During course of business or in public practice it is the duty of a professional accountant is to protect all types of threat. Some of the threat safe guarding techniques are mentioned below.

01. TRAINING AND EXPERIENCE: Training makes one perfect. In order to safeguard the threat the professional accountant should be trained personnel who can deal any type of threat in course of business or in public practice. An experienced professional accountant can able to handle all types of threat in business properly and at appropriate time.

02. PROFESSIONAL DEVELOPMENT: This is a technique where the professional accountant should develop himself in order to deal with any type of threat during course of business or in public practice. Continuous development in professional area ensures a professional accountant to be strong in safeguarding threats of business. He should be well versed with all types of rules and regulations of accounting procedure and a strong mind set of professional ethics in accounting system.

03. CORPORATE GOVERNANCE REGULATION: It is another technique for a professional accountant to deal with the threat in business. A professional accountant should be well

acquainted with the corporate governance regulation so that he can able to apply those regulations in situations of threat both in business and in public practice.

04. PROFESSIONAL STANDARDS: This is considered to be another technique for a professional accountant to deal with threat in public practice. Using professional standards the professional accountant can able to safeguard threat in business. Professional standards are well defined procedures of business methods by which a professional accountant can able to utilize those standards for dealing all type of threat in business and in public practice with an ethical manner. Professional standards are meant to protect the credibility of business and accounting system.

05. DISCIPLINARY PROCEDURE: This is another technique to deal with threat in business and public practice. Disciplinary procedures are a code of conduct which is generally utilized in accounting and business practice. These procedures are different form organization to organization. Hence it is the implementing authority of the organization defines how to use disciplinary procedure so that there cannot be a business threat for a professional accountant. Disciplinary procedure is different for business threat and public practice threat. Hence a professional accountant should be well versed with these procedures so that he can able to use those procedures at the time of requirement.

Unethical and unprofessional behaviour of business can be regulated by an ethical and high moral professional accountant in business and in public practice. Hence it is desirable on the part of a professional accountant to disclose the consequences of threat and the techniques to be applied in order to safeguard these threat in business as well as in public practices.

HOW TO RESOLVE ETHICAL CONFLICT: In general sense conflict refers to a situation of disagreement within two or more parties for a common purpose. Ethical conflict is the result of disagreement when a common code of conduct is not appreciated by two parties on moral ground. In business and in public practice the ethical conflict is common and occurs frequently. In this situation it is the responsibility of a professional accountant to resolve those ethical conflicts in the business and in public practice. Conflict resolution through application of fundamental principles is one of the ethical and moral duties of a professional accountant. The ethical conflict in business may be formal or informal in character. A professional accountant should have to keep in mind the following points while dealing with ethical conflict in business and public practice.

01. RELEVANT FACTS: While a conflict arises due to relevant facts of the organization, it is the moral duty of a professional accountant to consult with the appropriate authority inside the

organization in order to confirm about the relevant facts. If he is not satisfied with the information of the competent authorities he should consult the Board of Directors or Audit Committee in order to know about the relevant facts.

- 02. ISSUES ON ETHICS:** It is imperative that a professional accountant may face some ethical issues in the organization or in public practice. In order to solve these ethical issues it is the moral duty of a professional accountant to consult the legal advisers of the organization and obtain guidance from them. The professional accountant should be very careful that there will not be any breach of confidence among the organization authorities and the professional accountant.
- 03. FUNDAMENTAL PRINCIPLES:** When there is a conflict related to fundamental principle the role of a professional accountant is very crucial while resolving it either in is desirable on the part of a professional accountant to rectify them in order to resolve this issue.
- 04. INTERNAL PROCEDURE:** The internal procedure of each and every organization is not identical in character. While resolving this type of conflict it is the ethical duty of a professional accountant to ensure that each and every internal procedure has been protected properly. Otherwise he has to maintain all of the internal procedure for resolving these issues.
- 05. ALTERNATIVE COURSE OF ACTION:** Sometimes it is necessary on the part of a professional accountant to develop some alternative course of action in order to resolve the ethical issues in the organization and in public practice. The alternative course of actions should be practiced in such a way that it will not undermine the confidentiality of the organization in public.

CONCLUSION:

- (A)** A professional accountant can be a sound ethical person by maintaining fundamental principles like integrity, objectivity, professional competency, confidentiality and professional behaviour.
- (B)** A professional accountant may face some threat in the due course of his accounting profession. The threats should be safeguarded by him in order to maintain a balance between the organization and profession.
- (C)** During his professional career a professional accountant have to come across different threats like self-interest, self-review, advocacy, familiarity and intimidation which should be safeguarded by him by applying different techniques for different threats in order to maintain the dignity of accounting profession.

- (D) A professional accountant should be trained personnel with enough experience, having professional skill and development, sound knowledge of corporate governance, professional standards and disciplinary procedure to be followed in the organization so that he can successfully overcome the threats in his professional career.
- (E) Resolving of ethical conflict is an important moral and ethical duty of a professional accountant inside the organization and in public practice. A professional accountant should be well acquainted with the fundamental principles of accounting system so that he can easily resolve the ethical conflicts of his professional career.
06. The organizational level or in public practice. It may be possible on the part of a professional accountant to face some fundamental related conflict in public practice as it is not taken care by the employees who are in charge of it. In such a situation the professional accountant should follow all the fundamental principles properly. In case of omission and commission of facts and figures it besides fundamental principle a professional accountant should know the concept of internal procedure, relevant facts, as well as some alternative course of action in order to deal ethical conflict in the organization from time to time.
- (F) A professional accountant should follow ethics in his professional career not only to protect the principles of accounting system but also for the benefit of the organization as well as for the society at large.
- (G) Last but not the least a professional accountant in not only a accounting person at the same time he should be an ethical personnel for the organization so that the society will be useful for him and he will be successful for the society.



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