



Short Note on Accounting Ethics

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DESCRIPTION

Accounting ethics is primarily a field of applied ethics and is part of business ethics and human ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics. Accounting was introduced by Luca Pacioli, and later expanded by government groups, professional organizations, and independent companies. Ethics are taught in accounting courses at higher education institutions as well as by companies training accountants and auditors.

Importance of accounting ethics

It is inherent to the accounting profession: Accounting and ethics go hand in hand with the accounting profession. As accountants, it is important that we make neutral, unbiased decisions that help the client. If the company benefits from the sale of one financial product over another, it could lead to bias and misrepresentation of information for the client. As part of the ethics code, it is important that the information provided is not subject to any external influence.

In India, companies have to comply with Ind AS which stands for Indian Accounting Standards. These policies provide companies with principles for recognition, measurement and treatment of accounting transactions in the financial statements. The goal of Ind AS is to bring consistency to the accounting principles and practices followed by companies.

Information needs to remain confidential: Disclosure of any financial information during, for example, a merger or an acquisition by an accounting professional would violate the trust code. It would also be considered unethical on the part of the accountants. The Ethics code prevents a firm or organisation from doing this unless there is a legal reason for doing so.

The integrity of the employees: The Ethics code ensures that all members of the company demonstrate integrity and honesty in their work with clients and other professional relationships. The ethics code also prevents accountants from associating themselves with any information that could be misleading or damaging to the client or the organisation.

The European Union has regulations to protect the privacy of the clients with the General Data Protection Regime (GDPR). This is a set of privacy regulations that is applicable to all companies that store or process the client's personal information. The policies

include the right to receive a copy of the information retained by the company, data breach notifications and the requirement of each company to name the individuals who are in charge of protecting the client's personal information. This helps ensure that the integrity of the client's personal information is retained and there are no unsolicited leaks. If companies or individuals fail to comply with the rules and regulations listed under GDPR, it could result in serious consequences. Therefore, it is essential for companies to maintain the integrity of the employees and ensure that they abide by GDPR rules.

The accountant needs to be knowledgeable: The accounting industry is constantly evolving and with the introduction of new technology such as automation of accounts payable, the role of accountants is changing. This means that accountants need to stay updated on their skills to provide an accurate judgment on issues faced by clients.

Possessing professional competence also includes being aware of where your skills and expertise lie and not implying that you have knowledge in areas you are not familiar with. If you are a supervisor, the code of Ethics ensures that your subordinates only carry out their duties after they receive the proper training.

The company's reputation: The code of Ethics states that accountants need to abide by all the rules and regulations listed by the governing body. This will help the company maintain professionalism and ensure that the financial statements are a fair and accurate representation of the company's position. Failure to comply with the Ethics code can affect the reputation of the company and could even land them in legal trouble!

In the U.K companies need to comply with the U.K GAAP which is a regulatory body that states how financial statements should be prepared in the U.K. The goal of the GAAP is to standardise accounting practices and ensure that all companies maintain integrity and professionalism when it comes to preparing financial statements.

Advantages of accounting ethics

1. As the different rules and guidelines are set by the governing bodies that govern the action of the person associated with the accounting profession, this prevents the misuse of the information available of the client with the accountant, auditor, or any other accounting person.

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Received: 07-Jan-2022, Manuscript No. IJAR-22-15195; **Editor assigned:** 10-Jan-2022, PreQC No. IJAR-22-15195 (PQ); **Reviewed:** 21-Jan-2022, QC No. IJAR-22-15195; **Revised:** 27-Jan-2022, Manuscript No. IJAR-22-15197 (R); **Published:** 03-Feb-2022, DOI: 10.35248/2472-114X.22.10.257

Citation: Manor G (2022) Short Note on Accounting Ethics. Int J Account Res. 10:257.

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2. If the person does not follow it, then the person will be liable for the punishment as decided by the governing bodies. This creates fear in the mind of the person and leads to follow up appropriately.

3. The businesses which pay proper attention to accounting ethics always do better when compared with the other businesses as it creates the right image in the eyes of the customers and the other parties and thereby helps in increasing the business in the long run.

4. It creates a better Professional Environment as everyone has the proper mind set of maintaining a high level of ethical standards. Also, respect is given to that person who follows the ethics accurately in the place where they are working.

5. There is decreased legal liability. This is so because almost all the things are taken care of well in advance by the concerned persons so that they are liable for any legal actions.

Disadvantages of accounting ethics

- Accounting Ethics may be a little complicated for the accountant to first understand and then implement.
- Accounting Ethics can be sometimes very difficult to impose on an organization to follow.
- An organization will require some expertise knowledgeable person to make this accounting ethics work for the organization.
- The process of implementing accounting ethics can be cumbersome and time taking for some organized which are not organized in doing its accounting activity.
- In conclusion, accounting professional ethics is the code of conduct in its field as well as the accountants' responsibility and duty to the society. For their long-term job, responsibility and job attitude, they must possess accounting ethics