

## Ethics and Role of Accountants

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### Abstract

The role of accountants in adhering to ethics was addressed in this paper. Accountants face a number of challenges in the course of carrying out their roles and obligations. Questionnaires were used to elicit responses from respondents and the Chi-Square statistic was used to analyse the data collected. It was found that the role of the accountants is dependent on the ethics of the accounting profession.

**Keywords:** Ethics, Code of conduct, Accounting profession.

### 1.0 Introduction

Every profession has a system of ethics that is predetermined and written down to guide new and old members on code of conduct. According to Francis (1990), as cited in Karaibrahimoglu, Erdener, and Var (2009), in the accounting perspective, ethical behaviour, can be expressed as performing the accounting duties in accordance with Generally Accepted Accounting Principles (GAAP). These principles include reliability, accuracy, and objectivity. The International Ethics Standards Board for Accountants (IESBA) is the body in charge of developing and issuing ethical standards and providing guidance for the accounting profession.

Ethical guidelines do not aim to provide instant solutions for all ethical issues, rather, ethical guidelines aim to help in the decision-making process. Presently, different countries and different accounting bodies have different sets of ethical standards which accountants are required to abide by. This diversity in accounting bodies and standards sometimes creates friction in handling ethical issues. However, ethical issues would be handled with more ease and consistency when all guidelines for ethical behaviour are adapted into a set of uniform ethical standards throughout the world (Karaibrahimoglu, et al., 2009).

As Jones and Abraham (2007) observed, ethical considerations have gained more attention in recent years due to the fact that accounting profession has been evolving into an entity which is more than just a book keeping and reporting system. Accounting has evolved into a complex cycle of data processing with potential manipulation of financial information. The recent scandals and other charges in the conduct of accounting and accountants have tarnished the reputation of the profession and, therefore, made it necessary for more detailed analysis and investigations of the issue of ethics in the profession.

### 1.1 Statement of the Research problem

Jamshidinavid and Kamari (2012) carried out a study on Ethics in Management Accounting with a view to recognize some of the important and influential factors on ethical motivation of management accountants as well as to explain the relations between these factors and also relationship between these factors with the motivation in the Rest's model. They however concluded that, "based on the Rest's Model of ethical decision making, ethical motivation has an undeniable role in the emergence of ethical conduct.

Karaibrahimoglu, et al., (2009). examined whether ethics is teachable or not based on a survey conducted among business students in two Turkish universities and the result of their research suggested a strong support for the inclusion of ethics in business and accounting curriculum.

Oseni (2011) in his study examined the timely and important ethics and its relevance and importance to overall corporate wellbeing. Oladipupo and Omonzejele (2003) conducted a research on the role of ethics in Auditing with the aim to search for appropriate ethical theory that would enhance the practice of auditing as a profession. They opined that the most appropriate ethical theory for auditors is the utilitarian theory. This is because the utilitarian takes into account the impact (consequences) auditing has on colleagues, the public and clients during the course of practice.

In a similar fashion, this study intends to find out the role of accountants in complying with ethics of the accounting profession.

From the foregoing, the study is expected to answer the question, "what is the role of accountants in complying with ethics of the accounting profession?"

### 1.2 Objective

In view of the above, the main objective of this paper is to examine the role of accountants in complying with ethics of the accounting profession.

### 1.3 Hypothesis

The research hypothesis formulated for this study in relation to the research question is:

**HO:** The role of accountant is independent of the ethics of the accounting profession.

**H1:** The role of accountant is dependent of the ethics of the accounting profession.

## 2.0 Literature Review

Accounting has been defined as the process of identifying, measuring and communicating economic information to permit judgements and decision-making by users of the information. It is the language of business (Adeniji, 2004). To carry out the accounting process successfully, the services of accountants are necessary. An accountant, according to Igben (2009), is a person who has undergone a formal or professional training in the process of accounting and who belongs to at least one of the recognised professional accountancy bodies such as the Institute of Chartered Accountants of Nigeria (ICAN).

The role of accountants in the organization is significant in today's business world (Zengin et al. 2009, as cited in Jamshidinavid & Karmari, 2012). This is due to the fact that the information they provide is crucial in aiding managers, investors and others in making critical economic decisions. Hence, ethical improprieties by accountants can be detrimental to society, resulting in distrust by the public and disruption of efficient capital market operations. Due to the importance of the information supplied by accountants, it is necessary for accountants to have general business skills, people skills for motivating other team members, technical skills and observe certain professional ethical standards (Jamshidinavid & Kamari, 2012). Further, people or human skills comprise (i) "leadership skills" involving understanding and proficiency in positively influencing the behaviour of others, and (ii) "networking skills" which have to do with the proficiency in creating and utilizing human networks (relationships) for obtaining information and resources. Technical skills are made up of (i) "business skills" relating to understanding and competence in dealing with organizational matters; and (ii) "industry skills" which pertain to understanding and proficiency in manoeuvring or navigating within an industry (Gray, 2006; Robinson & Herron, 2001).

Accountants aid organisations by performing roles such as preparation and presentation of timely and accurate financial reports, identification of areas of inefficiency and wastage of resources, setting up effective system of internal and accounting controls, investigation of the performance operations of competing organisations to assist management in policy formation as well as investigation of fraud in within the organisation (Igben, 2009). However, in performing these roles, accountants should have a human face, considering the fact that they are dealing with human beings in the organisation. There should be the realisation that their role as accountants is to help the organisation move forward, not to find scapegoats. To do this effectively, accountants need to abide by the behavioural ethics of the accounting profession. The next part of the paper will address the issue of behavioural ethics.

### 2.1 Ethics in the Accounting Profession

Fleet (1991) in Idris (2011) explained that Ethics are standards of morals a person sets for himself regarding what is good and or right and wrong. Also, Nwakpa (2010) in Idris (2011) sees ethical behaviour as a good or expected type of conduct, which is a desired moral type of behaviour or legal behaviour from a professional. While George and Jones (2005) in Karaibrahimoglu et al., (2009), are of the opinion that code of ethics is a set of formal rules and standards based on ethical values and beliefs regarding what is right and wrong related to a certain field.

Bovee et al. (2006), cited in Karaibrahimoglu et al., (2009) stated that ethics are the principles and standards of moral behaviour that are accepted by society, "right" as opposed to "wrong" which are concerned with moral obligation, responsibility and social justice of all parties involved in the decision process. Business ethics refer to the need to apply moral standards by professionals. A profession is formed on the basis of a generally accepted body of knowledge, a widely recognised standard of attainment and finally an enforceable code of ethics. Accounting ethics are behaviours in accordance with accounting principles such as transparency, entity concept, and reliability.

As Igben (2009) notes, like any other profession, the accounting profession is practised within a framework of statutory and regulatory provisions or guidelines. This is to ensure orderliness, consistency, and uniformity in the practice of the profession. In the same vein, Adeniji (2004) observes that when accountants adhere to the standards of ethical conduct, it will be easier to achieve the objectives of the profession. Adeniji (2004) listed the standards of ethical conduct for accountants as competence, confidentiality, integrity, and objectivity. Idris (2011) listed the standards to include the fundamental principles of integrity, objectivity, professional competence and due care, and confidentiality as well as professional behaviour.

Integrity requires accountants to be straightforward and honest in all professional and business relationships. Akers and Giacomino (2000) give an example of two Big Six public accounting firms in the United States as saying they adhere to personal and professional standards that exceed those required by legal and professional codes. The standard of objectivity means a professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments. Professional behaviour, according to Idris (2011), demands that a professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession. Confidentiality means accountants

should refrain from disclosing confidential information acquired in the course of their work except when authorised or legally obligated to do so. The standard also means refraining from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties (Adeniji 2004).

All of the above observations point to the fact that behavioural ethics are very important to the accounting profession. Javeed (n.d.) observes that ethics are important for professional accountants because accounting partially reflects moral orders of the world in which it is practiced. The injustice that has occurred with regards to ethics within the accounting profession has made ethics a moral discourse. Javeed (n.d.) also observes that ethics are important for professional accountants because accounting requires ethical knowledge and skills. They clear the concept of right and wrong. Professional accountants are also enabled to build personal fortitude to make a right decision. Accountants face a lot of pressure to engage in unethical conduct. But keeping in mind ethical factors, accountants can easily resist such pressures. Javeed (n.d.) opines that accountants will never focus on short term benefits revenue growth or for satisfying investors at the expense of moral integrity and long term performance of the firm. Behavioural ethics make them think in the long term. Concentrating on ethical factors builds an inner strength in accountants that enable them confront fraud and in dealing with grey areas in ethical dilemmas.

It will be difficult for an accountant to succeed if ethics are ignored. Stakeholders such as the public, investors and regulators can have confidence in accountants when they work to meet the highest standards of ethics and professionalism. Javeed (n.d.) further notes that the importance of ethics in accounting has been proved by recent scandals involving Enron, Tyco, Adelphia, and Worldcom, which led to their death. These are well-known corporations who, because of ignoring, breaching, and compromising ethical behaviours, collapsed. The fact is that the issue of these corporations not only damaged them, but damaged the reputation of professional accountants and diminished public confidence in the accounting profession. Hence, the need arose for more attention to be given to behavioural ethics.

It has been emphasized that ethics are important. But the recent scandals have shown that applying ethics in the conduct of professional accountants has its own challenges. Although unethical behaviour cannot be excused on any ground, it is good to analyse factors that make it challenging to behave ethically. The next part of the paper gives attention to reasons why accountants may engage in unethical conduct.

### 3.0 Methodology

Primary data for the paper were obtained using questionnaires. The questionnaire consists ten questions on the Likert scales, made up of five alternative responses. The simple random sampling was used to pick the sample from the population. The questionnaire administration was done personally and retrieved immediately. A total number of five hundred (500) questionnaires were administered and all of them were retrieved giving a response rate of 100 percent.

The Chi-Square statistic was used to compute the data as it was a case of one item being dependent on another. The null hypothesis was tested at the level of significance where  $p \leq 0.05$ , accepting a maximum of 5% chance of error in the results as the maximum acceptable level of Type I error to statisticians. The aim was to achieve a 95% level of confidence which is the level normally chosen for testing hypotheses in the Social and Management Sciences.

The Chi-Square statistics as given in Agbadudu (2009) is

$$\chi^2 = \sum \frac{(o - e)^2}{e}$$

Where,

$\chi^2$  = Chi-Square  
o = observed value  
e = expected value  
 $\sum$  = summation sign

The decision policy on the acceptance or rejection is that when the computed chi-square value is greater than the theoretical or table value, the null hypothesis is rejected because the result is significant. Otherwise, it is accepted.

### 4.0 Data Analysis

The findings and calculated chi-square value are summarized in the tables below.

Computed  $\chi^2$  = 16.410  
Degree of Freedom =  $(5 - 1)(2 - 1)$   
 $\chi^2_{4, 0.05}$  = 9.4877.3

Hypothesis: The role of accountants is independent of the ethics of the accounting profession.

It was posited in the null hypothesis that "the role of accountants is independent on the ethics of the

accounting profession". Hence, the null hypothesis was rejected since the calculated chi-square value is greater than the table value.

## 5.0 Conclusion/Recommendations

Based on the testing of the hypothesis, the finding made is that the role of accountants is dependent on the ethics of the accounting profession. The empirical data proved this point. How accountants carry out their duties is determined by the ethics and code of conduct put in place by policy makers, professional bodies and educational institutions. Hence, all stakeholders should live up to their responsibilities.

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**Table 1: Data collated**

	SA	A	U	D	SD	TOTAL
Ethics	144	68	14	17	7	250
Role of Accountants	103	79	26	27	15	250
Total	247	147	40	44	22	500

Source: Researchers result, 2013

**Table 2: Calculated Chi-Square Result**

Cell	O	E	O - e	(O - e) <sup>2</sup>	$\frac{(O - e)^2}{e}$
1,1	144	123.5	20.5	420.25	3.4028
1,2	68	73.5	-5.5	30.25	0.41156
1,3	14	20	-6	36	1.8
1,4	17	22	-5	25	1.13636
1,5	7	11	-4	16	1.4545
2,1	103	123.5	-20.5	420.25	3.4028
2,2	79	73.5	5.5	30.25	0.41156
2,3	26	20	6	36	1.8
2,4	27	22	5	25	1.13636
2,5	15	11	4	16	1.4545
			0		16.410

Source: Researchers result, 2013

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