

ETHICS IN ACCOUNTING

Nicolaescu Cristina

„Aurel Vlaicu” University of Arad, Economic Sciences, Arad, Bv. Revolutiei nr. 77, Email: cristina_nc2@yahoo.com, Tel.: 0722597987

Pantea Mioara Florina

„Aurel Vlaicu” University of Arad, Economic Sciences, Arad, Bv. Revolutiei nr. 77, Email: miofp75@yahoo.com, Tel.: 0730585908

Ethics is an important element of social life, which influences the relationships between peoples. The professional accountants are not just members of a specialized organization; they are members of a society. It means that their behavior influences not just the business environment, but the entire society from they belongs. IFAC has developed a Code of Ethics, which establishes ethical requirements for the professional accountants from all over the world.

Key words: ethics, code of ethics, professional accountants

The Explicative Dictionary of Romanian Language gives ethics the follows definitions:

- Science which purpose is the theoretical and practice study of human worthiness and values from the morals principles perspective and their role in social life;
- Entire norms of moral behavior of a domain, of an activity or a collectivity;
- Collection of moral principles or values.

From those definitions results that ethics is an important element of social life, which influences the relationships between peoples. The professional accountants are not just members of a specialized organization; they are members of a society. It means that their behavior influences not just the business environment, but the entire society from they belongs. This is just one reason that proves the necessity of ethical requirements for the professional accountants. So that, like it is mentioned in The Economic Dictionary, ethics is importance to professional accountants because provides them the principles and values which allow orienting their professional practice in varying of the specific context.

Therefore, we can say that the necessity of an Ethic code consist in:

1. Necessity guarantee of an optimal quality of the services;
2. Trust maintenance of people, in the accounting profession;
3. Protection insurance of professional accountants and of the consumers of their services;
4. Confirming the authority of working made by of the professional accountants;
5. The necessity of defending the dignity and the independence of professional accountants and the organism from he belong.

In Romania the organism who has the attributions to assure all those aspects are The Body of Expert and Licensed Accountants of Romania (CECCAR). The Body of Expert and Licensed Accountants of Romania was found in 1931 like an independent professional organism and in the '30-s it was one of the most powerful specialize institution from Europe. His most important attributions were the standardization of accounting activity and the performing the audit activity. In 1950 the communist regime from Romania forbid the activity of the CECCAR. In 1989, after the change of the communist regime, was found The Professional Agency of Accountants Experts and in 1991 was re-establish The Body of Expert and Licensed Accountants of Romania. In 1996 The Body of Expert and Licensed Accountants of Romania became a member of the International Federation of Accountants (IFAC) and of the European Federation of Accountants.

Today, CECCAR advanced in the reform process of accounting, necessary for the integration of Romania in European Union. The reform process consist in the convergence of the accounting and audit to the international standards, the increasing of the quality of Financial Statements, the counteract the economic

criminalities, the improvement of business environment and, for the acquire the trust in the professional accountants activities, based on science, law, honor and morality.

The main purpose of the IFAC is “the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest”, and for this reason has develop a Code of Ethics which establishes ethical requirements for the professional accountants from all over the world. IFAC has in present 133 members and 24 associates. Members and associates are required to participate in the Member Body Compliance Program to demonstrate that they are maintaining their good standing and addressing the requirements of IFAC membership.

The IFAC’s members have the following obligations:

- Should support the work of the IASB by notifying their members of every IFRS;
- Must notify their members of all exposure drafts issued by the IASB and to encourage them to comment on behalf of those members that have an interest in accounting standards;
- Should use their best effort:
 - To incorporate the requirements of IFRSs in their national accounting requirements, or where the responsibility for the development of national accounting standards lies with third parties, to persuade those responsible for developing those requirements that general purpose financial statements should comply with IFRSs, or with local accounting standards that are converged with IFRS, and disclose the fact of such compliance;
 - To assist with the implementation of IFRSs, or national accounting standards that incorporate IFRSs.

The Code of Ethics develops by IFAC contains three parts: part A, part B and part C.

Part A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework for applying those principles. The fundamental principles of professional ethics for professional accountants are: integrity, objectivity, professional competence and due services, confidentiality and professional behavior.

The integrity means that a professional accountant should be straightforward and honest in all professional and business relationships. He should not be associated with reports, returns, communications or other information when they believe that the information: contains false or misleading statement materially, contains statements or information furnished recklessly, omits or obscures information required being included where such omission or obscurity would be misleading.

A professional accountant must be objectively, he should not allow bias, conflict of interest or undue influence of others to override professional or business judgments. A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. Relationships that bias or unduly influence the professional judgment of the professional accountant should be avoided.

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and should act diligently and in accordance with applicable technical and professional standards when providing professional services.

A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties.

A professional accountant must have a professional behavior which means that should comply with relevant laws and regulations and should avoid any action that discredits the profession.

Part B explain how the independent professional accountants must applied the conceptual framework presented in part A in specific situations such us: professional appointment, conflicts of interest, second opinions, fees and other types of remuneration, marketing professional services, gifts and hospitality, custody of clients assets, objectivity in all services and independence-assurance engagements. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental

principles and also provides examples of situations where safeguards are not available to address the threats and consequently the activity or relationship creating the threats should be avoided.

Part C of the Code illustrates how professional accountants must apply the conceptual framework contained in part A in business. It is presented an exhaustive list of some circumstances experienced by a professional accountant in business that may create threats to compliance with the principles but is mentioned that rather, the framework should be applied to the particular circumstances faced. It also explain: how a professional accountants in business should act when appears the possibility on a conflict; what are his responsibilities and duties for the preparation and reporting of informations; a professional accountant in business must always act with sufficient expertise and which are the threats who can affect his professional training; a professional accountant in business must avoid the situations when his financial interests or receiving inductions are threatening the fundamental principles.

In Romania's social and business environment some would affirm that ethical principles are a theory that can't be applied in practice. There are many managers, entrepreneurs and businessman who believe in a fast way of enrichment and for these reason they don't believe in the ethical principles. They say that to promote honesty is old fashioned and that just an aggressive way of business can bring profits. Fortunately, we can say that the number of those who think in that way is decreasing, but for being realists, the ethical principles never will be respected completely by all the society members. But, a business environment without ethical principles is like a state without laws, in which exists just anarchy and disorder. Therefore, we can affirm that just like a state cannot exist without lows, the business environment cannot exist without ethics principles.

Professionals Accountants need to demonstrate a practical commitment of being ethical and in this way they will contribute not just to the healthy of the business environment, but also to the healthy and welfare of the entire society which they belong.

References

1. The book of the expert accountant and of the professional – collection of standardized papers and settlements of the profession elaborated by CECCAR, 4 – th edition, redacted and completed
2. Cristea H., Toma M., Doctrine and deontology in accounting profession from România, CECCAR Publishing House, 2003
3. National Code of Ethics of professional accountants, CECCAR Publishing House, Bucharest, 2006
4. www.ceccar.ro
5. www.ifac.org