

Ethics and business: impact in the field of accounting profession

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Abstract: Ethics was defined as "the science that deals with the study of moral principles" or better said "the science that includes all the norms of moral conduct corresponding to a certain class or society". If we are getting more deeply into the essence of this topic, we realize that ethics can be "risky" because it can easily generate conflicts, often at the individual level. This aspect comes from the fact that the society does not understand the values of a healthy ethical attitude. Only the adoption of a healthy ethical attitude can reveal the very essence of a civilized society. The objective of the paper consists in analysis of ethical principles applied to accountants in light of the new code of ethics. Ethics is the foundation on which all our relationships are built, including our way of relating to employers, employees, subordinates, colleagues, customers and suppliers. Ethics does not refer to the connections we have with third parties, but to the quality of these connections. This approach allows a better understanding of how ethics and morality influences the business environment, especially the accounting field. The new version of the code places greater emphasis on the independence of professional accountants to build confidence in the services they provide.

Keywords: ethics, principle, values, business, accounting.

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Introduction

The word “ethics” comes from the Greek word “ethos” which means character or routine. “Moral” comes from Latin and it supposed to have the same meaning. Today use the word ethos referring to attitudes, features, habits that are specific to a culture or people or human group. With time, people have been established the following phrase: ethics is the theoretical discipline that studies ideas such as good, bad, duty, justice, etc. Solomon (1992) imposed the idea of business ethics based on two assumptions:

1. individual character - including here what it means to be "a good person"
2. social standards that govern and limits our behavior, especially those relating to what it is good and bad

Based on the previously developed idea, many philosophers distinguish ethically from morality in this way:

- a. moral refers to human behavior seen through the perspective of values (good and bad, unfair, etc.)
- b. ethics refers to the study of everything within this area of values and moral norms in action

In any case, it is common to admit that general ethics or moral philosophy are composed of three levels:

- I. The first degree ethics - study of great ethical theories and doctrines
- II. Second degree ethics - study of the moral language used by first degree ethics and by the common language
- III. Applied ethics - analysis of particular moral phenomena or cases (abortion, euthanasia, cloning or problems of the environment, business, etc.) through criteria and theories proposed by the first and/or second degree ethics

The subject has been debated by many authors and philosophers, but they all came to the same conclusion: the theoretical discipline that takes as an object the business moral study can be called, perfectly justified, business ethics. Ballet and De Bry (2001) offer subtle explanations for the choice of business ethics rather than moral business as well as for the dominant meanings of the two concepts that have been shaped in the entire history of western thinking.

Thus, it is considered that "moral has given way to ethics" (moral is something that "is either too dogmatic" or "obsolete" and "relative", while ethics is something impersonal, objective, constant).

To understand better the difference between moral and ethics, their characteristics are presented in Table 1.

Table 1. Ethics vs Moral

	Ethics	Moral
Original Definition	Greek: reflection which guides human action	Latin: Required by law
Characteristics	Basis: Freedom of judgment and of the action	Basis: Social code = set of rules to which you have to obey to be admitted to a society
	You can, you can't	You must, you must not
	Long term	Short term
	Accessible to human	Inaccessible to man
	How should I live?	What should I do?
The common etymology is	Manners; Behavior	

Source: Own computation based on Morar (2012)

This image can be summarized by Comte-Sponville's (2002) persuasion formula: „moral orders, ethics recommends". Ricoeur (1991) considers that moral and ethical, however, cannot be entirely dissociated „I propose that a distinction should be made between ethics and morals, so that everything that has something to do with good and evil with referrals to laws and rules, should be assigned to morality".

Business ethics on the other hand, appeared at the beginning of the 20th century in the United States, as a result of the extension of ethical theories beyond the general space of "human action". Business ethics is defined as a discipline located at the border between philosophy of morality and management, concerned with the moral analysis of the way economic players (companies, stakeholders, employees, customers, etc.) acts. It is not limited to comply with the law, ethics means more than

solving or preventing conflicts. if you want good management of relationships with others the ethics proposes a set of policy tools that are useful in determining any company's strategies, in resolving conflicts between groups that interact in a business: Employees and employers, managers and shareholders, company and local community, state institutions, etc. As general principles of conduct, some of the ethical codes are applied in human resources management, crisis management, marketing communication in all its forms: Branding, public relations, advertising.

There is no doubt that ethical management is profitable in the medium and long term. Business ethics requires a balance to be found between the interests of the stakeholders and the interests of the affected or involved groups, from partners to consumers and society, as a whole. The basic idea is that the higher the number of those who follow a minimum set of rules, the higher the chances of winning for each of the players on the market. The new business environment no longer perceives companies as autonomous entities but as entities dependent on each other (Falise, 1992). Firms are like nodes in a network, so the fall of one can led to a chain fall of several. We find that, under the new conditions, success and failure are shared, and a successful company is one that socializes, respecting the correct rules of the game.

Micro-ethics of business contains a very large part of traditional ethics: the nature of the promises and other obligations; the nature of the individual rights, the intentions; the consequences of the facts and other implications of the individual actions. In any case, a feature of business micro-ethics is the idea of fair exchange and with it, the notion of fair pay, fair bargaining, as well as the idea of "good business" for both parties. Solomon (1992) shows for example that Aristotle's notion of commutative justice was still present, even the ancient people were sometimes wondering whether, for instance, the seller of a house was obliged to tell the potential buyer that the roof was old and that at the first torrential rain water may flow through it.

It can be said that, the business ethics is, at the beginning, as a theoretical field, but is permanently obligated – despite the myths surrounding it and the metaphors that accompany it – to branch out almost all the concepts used in moral doctrines, but also in common thinking.

Professional elements involved in the decision-making process in the light of the ethics

Professional qualities of professionals derive from the requirements laid down in the Code of Ethics for each area. These are stated in the form of fundamental ethical principles. Ethics can be „a personal dynamism, a global and creative concern to give meaning to our actions, to choose values and priorities and to follow the practice".

Ethics can be expressed in terms of principles, rules and practices. Following ethics in practice can be difficult to achieve, as the professional can choose to do what other practitioners do not do. Making a decision, taking ethical behavior, can require courage and strength of character. Each of the liberal professions, legal, medical and accounting, is based on a code of ethics governing the behavior of professionals in the conduct of their activities, as well as their ethical responsibilities in relation to their clients, colleagues and professional bodies.

The existence of the same ethical principles at the level of the above professions demonstrates the similarity between these and, by extension, the common basis for the exercise of professional judgment. Ethical standards are designed to ensure, that any professional performs his task in the right way. If we take into account one of the above-mentioned issues, according to which reasoning defines a profession, we could say that ethical principles are essential elements in the application of proper reasoning. In other words, an important part of the reasoning is also represented by the fundamental ethical principles of the profession.

The conduct of work with an emphasis on integrity implies an objective attitude, responsibility may also be associated with the pursuit of interest to the public, and professional behavior also includes respect for the reputation and integrity of relationships with colleagues and collaborators in the profession. We note, however, that responsibility, as a principle of ethics, does not appear explicitly stated. However, we could say that responsibility is a follow-up and implicitly included in the principle of "professional behavior". We can therefore consider responsibility as an omnipresent principle.

Without solid professional knowledge, professional judgment is nonsensical. In this situation, it's very ethology is devoid of content. The basic condition for his exercise is even professionalism. In many cases,

however, the term "professional judgment" covers situations that are difficult to explain, giving a generic answer when arguments and sometimes logic are lacking.

The importance of respecting ethical principles in the field of accounting

The International Federation of Accountants (IFAC) through the International Ethics Standard Board for Accountants (IESBA) adopted the International Code of Ethics for Professional Accountants (Code) applicable from December 2019. The first thing that an account must know, is which are the general methods and accounting principles and how this are used in the financial activity. He must carry out his audit mission with professional skepticism, to comply to the principles established by the Code and to always maintain independence in all its activities. The fundamental principles of the Code are objectivity, integrity, confidentiality, professional competence and responsibility and professionalism.

The auditor should have in view all these fundamental principles at the time of carrying out the mission of audit to provide reasonable assurance to users on the financial statements but also to be able to detect any significant or insignificant errors in them. In his profession, the auditor shall be kept informed of any changes that might occur in the accounting area so that he could be able to detect and delineate fraud from error (due to the existence of activities that can be carried out at the limit of legality). Worldwide, the profession of a financial auditor takes place in an environment influenced by different cultures and regulations.

The Code contains four parts:

- Part 1:** Complying with the Code, Fundamental Principles and Conceptual Framework
- Part 2:** Professional Accountants in Business
- Part 3:** Professional Accountants in Public Practice
- Part 4:** International Independence Standards

Figure 1. The parts of Code based on IESBA Code

The existence of these differences must not have an influence in the professional conduct of the work of an auditor because the basic purpose of the Code is the same world-wide and it must be always respected. If there are situations in which the national legislation gets into a conflict with some values of the Code, the national legislation will prevail. The Code sets out several fundamental principles aimed at achieving the objectives of the financial audit. The final propose is meeting the highest standards of professionalism in order to achieve a high level of performance and meeting the requirements of the public interest. It sets out five fundamental principles of professional ethics and provides a favorable framework for their application.

The five principles of professional ethics are based on the term of independence which implies a state of mind which enables an uninfluenced opinion to be given and which enables individuals to behave professionally and to pursue their activities with integrity, professional objectivity and skepticism. It also involves avoiding situations where an informed and reasonable third party, who has knowledge of relevant information, could conclude that the integrity, professional skepticism and objectivity of an auditor or audit Member have been compromised.

According to studies by Goldman & Barlev (1974), but also by Shockley (1981) the independence of the auditor may be influenced by several factors, namely: self-interest, self-review, legal representation, familiarity and intimidation.

The term “independence” provides the basis on which the five principles of ethics have been built. The five basic principles are summarized as follows:

Integrity - members must be honest in all their professional relationships

Objectivity - professional judgment must not be influenced by conflicts of interest, conclusions or negative influences

Professionalism - Members must comply with regulations and laws and avoid actions that discredit the accountant's profession.

Confidentiality - information obtained as a result of professional relationships or by business must not be disclosed to third parties without this being required by to a competent authority or without a professional right or duty to make these disclosures. Also, confidential information must not be used to gain personal advantages for others.

Professional competence and responsibility - all auditors are obliged to continuously improve professional knowledge and skills so that they are able to offer to his employer, competent services based on a development. Professional competence can be separated in two stages: achieving professional competence and maintaining professional competence.

If we consider the research made by Deliu (2014), it underlines the idea that all these principles require that the auditors behave with integrity in all relations businesses striving to be objective in all their professional assessments and judgments. The maintenance of objectivity must be shown by maintaining independence from those influences which may affect this objectivity. It is important that the accountant remains impartial and independent from the management in order to have an objective view of the financial statements of the entity.

Any auditor who wishes to carry out his or her professional activity in an appropriate manner and complying with the laws, have to comply with the five s must respect and fulfill them because he considers them to be essential for the performance of his professional activity and believe in the added value they bring to the business, Glover & Aono (1995).

Conclusions

Specialists must reflect and debate on ethical code issues in a developed structure, primarily focusing on the following directions: communication in the knowledge society; change and business leadership in emerging markets; leadership and complexity; critical issues in the international business environment etc. Adopting the rules of social responsibility or ethics is not only a civic behavior for a company, but also a means of "breaking the market" to competitors.

In fact, whether it is companies that adopt ethical business conduct on their own initiative or businesses are forcing them to behave ethically, so whether it is proactive or reactive ethics, "ethics and profit are increasingly together. In a competitive universe where ethics seems to "bring the money" to the firm, every firm has every interest in valuing its responsible activity. Therefore there is the belief that the future of businesses means internalizing their ethics as safe as possible. Lipovetsky (2002) thinks that ethics is growing as fast as "fashion", because it is driven by the fact that profit growth is compatible with the adoption of good

behavior rules. Finally, "if ethics is not a fashion but a fundamental move" of mature democratic society, it means that most of the firms are adopting responsible ethical behavior with great long-term advantage over other firms that do not do so.

After all, in today's global world, the need for ethics is undeniable, however, a growing "reality" and this is the most important thing that needs to be mentioned more important than the common expectation that deontological discourse will overcome the utilitarian one in business judgment. We know well now that, in the last instance, any business can be subject to a judgment of responsibility, either preeminently deontological or predominantly utilitarian. That is what really matters: That the judgment of responsibility is formulated and takes effect.

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