Accounting Ethics Essay, Research Paper

This paper will discuss the public perception of CPAs in today’s society, pitfalls that they may encounter, methods to prevent some of these negative behaviors and consequences they may face should they fall short. Most “Who Do You Trust?” surveys rank politicians, lawyers and used car salesmen at the bottom and certified public accountants at the top. That is because the CPA profession has a squeaky clean image–anal-retentive little wimps who wear thick glasses and cannot get a date. CPAs are known and respected for their honesty. The profession that goes out of its way to project that image, and there is a certain amount of truth to it. Not all accountants are anal-retentive little wimps who cannot get a date.

Many of them are quite articulate. Some are quite lovely, in some schools, more than half of the accounting majors are women. Also, not all CPAs are squeaky clean and respected for their honesty. Some are quite dishonest and are putting a black mark on the image of the entire profession. There is one area where the CPA profession has fallen short of protecting the public interest. The general duty that accountants owe to their clients and the other persons who are affected by their actions is to “exercise the skill and care of the ordinarily prudent accountant” in the same circumstances. Two elements compose the general duty of performance: skill and care. Another element and responsibility is owed to clients and other persons, that is that accountants should observe a standard of ethical or social responsibility. One set of difficulties concerns ethics education’s ability to instill the chosen values and to make them stick after the educational process is completed. Instruction in accounting ethics is directed at people whose character-or lack there-of-has largely been formed by the time the instruction occurs. Although such instruction should increase the moral awareness of those who are already predisposed to listen, its effect on the basically self-interested, indifferent, or unethical is questionable. Even those who are positively influenced by ethics instruction, moreover, may still behave irresponsibly if their careers or their livelihoods require them to act in their client’s financial interest. Recent pressure to include more ethics instruction in the accounting classroom has placed an emphasis on individuals who have a sense of moral responsibility. In accounting ethics education literature the benefits of teaching ethics have been greatly influenced by the following set of goals presented by Loeb (1988): 1. Relate accounting education to moral issues. 2. Recognize issues in accounting that have ethical implications. 3. Develop “a sense of moral obligation” or responsibility. 4. Develop the abilities needed to deal with ethical conflicts or dilemmas. 5. Learn to deal with uncertainties of the accounting profession. 6. “Set the stage for” a change in ethical behavior. 7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics. An emphasis on codes of conduct may result in students’ failure to “develop discretion and judgment . . .which are more than simply a matter of what acts are forbidden, which are required, and which are permissible” (Whitbeck, 1992, 128). Emphasis on rules may quickly become training in how to get around the rules while remaining technically legal. While students must be acquainted with professional codes of conduct as part of their preparation for a career, most researchers on ethics do not consider such material to be sufficient grounding in ethical training (Fulmer and Cargile 1993:Adams et al.1995). A few years ago the American Institute of Certified Public Accounts (AICPA), the largest CPA membership organization in the world, decided that starting in the year 2000, new members would have to have 150 semester hour of college credits (5 Years) instead of the present four years to become a member (McGee). On the surface that does not appear to any big deal. No one has to become an AICPA member to practice public accounting or to be a CPA. But, there are several problems with this. The most obvious is that the major group harmed is the students (or parents), who must cough up another $10,000 or $20,000 for a fifth year of education. Then there is the added cost of not having a job for the extra year it will take to complete the fifth year, so there is another $25,000 – $30,000. But that is not all. The segment to the student population most harmed by this insane policy is the segment least likely to be able to pay for a fifth year – blacks, Hispanics, low-income students of whatever persuasion. Poor people and minorities, along with rest of us, will have to face an even higher barrier to entry into the accounting profession. (Metzger 1061) As mentioned earlier is additional education only going to make accountants more proficient at learning techniques to get around laws, perhaps using unethical behaviors? And at the same time force extra barriers on many disadvantaged people hoping to make an honest living? This may be only speculation of the could and could nots of what may happen, but serious food for thought. What are the consequences of these unethical behaviors? Accountants can be held liable for damages to clients and to third parties, he may also be found criminally liable for violation of securities, tax, and other laws. For criminal violations, he may be fined and imprisoned. Wrongful conduct may also result in the issuance of an injunction, which bars him from doing the same acts in the future. In addition, his wrongful conduct may be the subject of administrative proceedings by the Securities and Exchange commission and state licensing boards. An administrative proceeding may result in the revocation of an accountant’s license to practice or the suspension from practice. Finally disciplinary proceedings may be brought against an accountant by professional societies such as the AICPA. Most states have statues imposing criminal penalties on accountants who willfully falsify financial statements or other reports in fillings under the state securities laws and who willfully violate the state securities laws or aid and abet criminal violations of these laws by others. Accountants have great responsibilities to their clients and to society. As an accounting major, doing research for this paper has helped to open my eyes to the many aspects of my intended profession. I have realized that it is a very trustworthy profession, held in the highest esteem by the public at large. I know that I must take my job and the trust instilled in me very seriously. I hope that this paper has enlightened you to the pitfalls many certified public accountants face today, both with ethical standards and with impending educational requirements.

Bibliography

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