

# The Accountant And Ethical Decision Making In Business

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**Abstract:** According to John Maynard Keynes (1883-1946) capitalism is the astounding belief that the most wickedest of things for the greatest good of everyone.

We can turn to Mahatma Gandhi (1869-1948), the Indian political spiritual leader, for insight into what capitalism really stands for. Gandhi said, "Capitalism as such is not evil; it is wrong use that is evil. Capitalism in some form or other will always be needed" in short, the way in which capitalism plays out in the real world of business largely depends on motivation of individual decision makers. So, we are back to the foundation issue of ethical behavior."The Accountant and Ethical Decision making"

This paper work tends to discuss some moral theories and how it aids the Accountant ethical decision making in business, it also covers some ethical issues faced by Accountants in business as identified by Ferrel, fraedrich, and Ferrell. Ethical issue in business is considered as problem, situation, or opportunity that requires an individual decision maker, group of people, or organization to choose among alternative actions which must be evaluated as right or wrong, to do this, the use of ethical reasoning method used as a primary tool for evaluation

**Keywords:** Ethical Behavior, Decision Maker, Capitalism and Moral Theory.

## I. INTRODUCTION

### BACKGROUND INFORMATION

Luca Pacioli, the "Father of Accounting". Wrote on accounting ethics in his first book *Summa de arithmetica, geometria, proportioni, et proportionalita*, published in 1494. Ethical standards have since then been developed through government groups, professional organizations, and independent companies. These various groups have led accountants to follow several codes of ethics set out by professional body of which they are member.

In 1887, the American Association of public Accountants (AAPA) was created: it was the first step in developing professionalism in the United States accounting industry. By 1905, the AAPA first ethical codes were formulated to educate its members. During its twentieth anniversary meeting in October 1907, ethics was a major topic of discussion. As a

result of the discussions, a list of professional ethics was incorporated into the organization's bylaws. However, because membership to the association was voluntary, the accounting association could not require individuals to conform to the suggested behaviors. Other accounting organizations, such as the Illinois Institute of Accountants, also pursued the importance of ethics for the field. The AAPA was renamed several times throughout its history, before becoming the American Institute of Certified Public Accountants (AICPA) as it's named today. The AICPA developed five discussions of ethical principles that its members should follow: "independence, integrity, and objectivity," "competence and technical standards", "responsibilities to colleague", as well "others responsibilities and practice". Each of these divisions provides guidelines on how an accountant should act as a professional. Failure to comply could have an accountant to be barred from practicing. When developing the ethical principle, the AICPA also considered how the

profession would be viewed by those outside of the Accounting industry. Financial statements of an enterprise depict the wholesome financial situation of the enterprise for a particular period at a particular date. The information in this statement is of vital importance for a large section of the society, which deals with that enterprise. It may be suppliers of material, customers, investors, banks, financial institutions insurers, government tax authorities, employees, collaborator and their competitors. Keeping in view the importance of these statements and the large section of the society who use these statements for taking many vital decisions, it is necessary that these statements are attested by some person who is expert in this field so that the objectivity, integrity, reliability and credibility of the information is assured to large extent. This function of attestation is done by professional accountants, it has been however, observed that there have been a number of a case in business in such as banks and financial institutions wherein due to the erroneous/ambiguous advice tendered by the respective Accountants, borrower accounts have had to face quick mortality resulting in loss for the bank. Many at times this has also resulted in vigil cases being initiated with the allegations of connivance / malafide / gross negligence being attributed to the concerned accountants.

A client, before engaging the service of a professional requires to be assured, (i) that he has the required competence and (ii) that he is a person of character and integrity. As regards the first, evidence is available to the client in the form of a certificate that the accountant has undergone the training and passed the appropriate examination in the accountancy and as regards the second, he would have an assurance only if the professional body to which he belongs has adopted a code of professional ethics for its members.

For the success of the accountancy profession a self-imposed Code of Ethics is essential to command the respect and confidence of the general public. Accountants in the service of the affairs others have responsibilities and obligation to those who rely on their work.

Moral motivation is necessary ingredient to ethical action. It is necessary but not sufficient condition for ethical decision making to take place. The decision maker also must have integrity, or moral courage, to follow through with an ethical choice.

Ethical decision making does not occur because a system is based on capitalism, any more than unethical decision making takes place for the same reason. It is the decision maker's core ethical values that create a culture for decisions that respects the interests of shareholders, creditors, employees, customers and others who are affected by those decisions. These parties are the stakeholders of a corporation along with the government because it is charged with regulating businesses and effect of those businesses on society in general for example, to preserve the environment and promote sustainability.

John Maxwell contends there is no such thing as "business" ethics. He believes that a single standard of ethics applies to both our business and to our personal lives. Maxwell identifies the standard as the "Golden Rule." He says in making decisions we should ask the question, "how would I like to be treated in a particular situation?" To

Maxwell, the Golden rule is an integrity guide line for all situations.

Maxwell's perspective implies that we should treat others the way we would like to be treated. His view is consistent with Kant's notion of universality, that is, we should act in ways that we would want other to act to act for similar reasons in similar situations. Our actions should possess universality so that if another decision maker looked at what we had decided and how we came to that conclusion, that person would also decide the same way for the same reason.

While most people recognize that business must earn a profit to survive, it is the steps taken in business dealings and financial reporting to make the profit that concerns ethicists. As Kant point out, the ends do not justify the means. If it did, businesses could rationalize not taken necessary steps to protect the environment based on the excessive costs to comply with the laws of the Environment Protection Agency. If a company takes such a position, it would be placing its own self-interests, perhaps in the guise of maximizing shareholder wealth, ahead of interest of society.

We define business ethics as the core values and standards adopted to guide decision making. In the course of developing those principles and making ethical decisions, a business must consider the interest of its stakeholder. These include the owner, stockholder, creditors, employees, suppliers, customers, and government agencies that regulate business.

## II. THE ACCOUNTANT ETHICS AND MORAL THEORIES

### MORAL THEORIES

We shall examine some theories which are central criteria for ethical judgment. We examine such theories like hedonism, altruism, egoism, emotivism, intuitionism, utilitarianism, existentialism, and situation ethics. The understanding these theories supply the bridge heads for proper classification of actions as legalistic or formalistic, as liberal, relativist or integrativist, hybrid morality and integrativist ethical theory are contemporary ethical studies. The attempt is to carry out "on-the-spot" assessment of the moral situation. What is acceptable in one culture may be acceptable in another culture. This leaves us in a world of "anything goes." We argue that all ethical theories have their good sides which can be meaningfully harmonized to archive moral elixir.

### ALTRUISM MORAL THEORY

'Social altruistic utilitarianism'. It holds that everybody have good moral reason to do whatever will promote welfare of other people. This means that human acts are good or bad so far as they can advance or impede the human happiness of the society. This means that an action is good in so far as it produces overwhelming amount of good of a great number of people without solely or necessary favouring the agency. Auguste Comte introduced the word altruism. Derived from the French word 'altrui' and the latin word 'alter' meaning

other. To him altruism means the exercise of self and life devoted to the good of self-centered desire and the life devoted to the good of others, more particularly to the good of the society. By extension, the term altruism has come to mean, in the modern time the pursuit of good of others; whether motivated by either self-centered or other-centered interests or by disinterested duty provide it is directed towards the good of persons other than oneself. Altruism should in fact be seen as the true bedrock of morality. Men should always act so that their actions produce a highly pervasive good in term of 'others' than 'him'. Altruism is the ideal vision of life, but like other ideals, it is difficult to practice.

#### EGOISM

Egoism holds that one should always do what will promote his own greatest good. This is what Joseph Butler has called self-love and the Freudians call the ego. The ethical egoists are men like Thomas Hobbes, Sextus Empiricus and Friedrich Nietzsche.

Egoism as an ethical theory is seen as realistic because it is grounded in human psychology and the antics of a man in his dealings with his fellow man. Man has concealed behind all his actions some tincture of anticipated good which he will derive from such actions. Many of the acts that have been construed as acts of altruism, when closely analyzed, seen to be fundamentally tied to the throne of egoism. A man who gives alms either does it so that society will call him a good man or because he anticipates that somewhere along the line the law of Karma will reward him accordingly, or he may anchor his hope on the bliss that await him in the hereafter. Not because of any innate disposition to do so. It is a psychological truism that all human acts, remotely or substantially, are geared towards the enjoyment of a discerned or imagined kind of reward now or in future. No man truly abnegates himself.

It is man's corrupt nature that brought about his willingness to leave the state of nature to enter into a social contract where the egoistic dispositions of his and his fellow men's inclination can be brought under proper check and balance. Man has formulated laws, mores, customs and moral standards. All these are there to check excesses of man in term of self first which is his natural inclination. For man to tower above egoism he has to appeal to the rational and spirited parts of the soul as Plato urged. He must not see himself as a Robinson Crusoe that is banished in an island. He must see himself unit in the organic intricate whole humanity. He should that his actions affect others adversely or favourably as theirs affect him. So everyman should always ask; "will this action that I am about to embark upon yield the goodness of us all?" it is only actions carried out in tune with the good expectation of the above question that can be truly good.

One aspect of the theory of egoism which is not clear is what it has to say on the modus operandi of people who are expected to play the role of unbiased umpires. These include persons like a judge, the president of a country, the referee in a football, the advisor, the researcher, etc. Are all these people supposed to pursue what appeals to them as good? He to seek his self-interest or should he dispense justice to all manner of people? We find that in these spheres and many more, the

principle of egoism is bound to produce unacceptable consequences. But a season egoist would say that the social demands of people mentioned, i.e. the judges, the president and researcher are not inconsistent with the principle of egoism because men actually do exhibit egoistic tendencies in all they do.

This means that egoism does not stand in the way of the development of harmonious existence because through experience and a should kind of insight, we come to understand that what we ought to do for ourselves should be those things which should not conflict with other people's interests. Egoism, no matter how odious or disgusting it might appear, it often difficult to criticize.

#### EMOTIVISM

It was C.L. Stevenson and A.J. Ayer that the theory gained its responsibility and popularity. The first to propose the theory were I.A. Richards and C.K Ogden (1873) in their *The Meaning of Meaning*. To them, when we say that a thing is good, we are merely evoking a similar feeling in other people. This is the origin of emotivism as far as the English speaking area goes. A Scottish philosopher, Hagerstrom is the first to formulate the theory of emotivism in 1911. In one of his lectures. One the truth of moral propositions, he formulated in outline the emotive theory with particular reference to the concept of duty. In the Scandinavian world, two names are prominent in the history of early contribution to the tenets of what has blossomed today as theory of emotivism. These men are Inegmar Hedenius and Alf Ross.

The consensus of the emotivist is that moral statements are not a subspecies of factual statements. They are not derivable from purely factual statements. Hence emotivism is regarded as a non-cognitive theory of ethics. Emotivism on its own is not concerned with facts to which truth and falsity can be predicted. Emotivism deals with attitude and feelings. So we cannot talk of the being true or false.

The emotivist maintain that moral judgements and ethical concept such as good, right, bad and other moral value terms have emotive meanings. This means that ethical statements express the feelings or attitude of the agents. Emotivism denies that moral judgements are factual statements which convey any moral facts. Ethical statements would be seen by emotivism as the expression of the feelings or attitude of the person or community dependent and does not tell us anything about the act itself. As such, it does not express any empirical fact which can be true or false.

Alfred j. Ayer was a logical positivist. Like other positivist, he discovered that ethical statements do not picture facts. Rather, they are statements of value which, though may be of utility, are nonsensical to him.

Ayer prescribed ethical statements in order to know whether they are verifiable, i.e. factual. He said the fundamental ethical concepts are unanalyzable inasmuch as there is no criterion by which one can rest the validity of the judgments in which they occur. He called ethical concepts pseudo-concepts. This is so because ethical symbols in statements do not add anything to the factual content.

A moral judgment has no literal meaning and as such, can be neither true nor false, valid nor invalid. Since moral statements have no empirical referents they are meaningless.

Ayer also believed that ethical judgments are disputed because such disputes are not based on value but facts. We tend to call to order a person who has a contrary opinion to our own on the basis of the facts that substantiate our position, like the motive.

C. L. Steveson was a staunch exponent of the theory of emotivism. He enunciated three features of moral discourse. He held that genuine agreement and disagreement occur within moral discourse; that moral term has what he called 'magnetism', and that the scientific or empirical method of verification is not sufficient for ethics. He argues that ethical agreement and disagreements are common because value, the subject matter of ethics, is the kind of thing that is disputatious. To have a 'fuller view of ethics', there is need to draw a distinction between belief and attitude. He sees moral judgment as expressing and reporting attitudes. Moral statement therefore evokes certain attitudes and persuades the hearer to adopt similar attitudes. Moral disagreement is therefore a genuine attribute of ethics because men have different beliefs. And beliefs are the ingredients that inform attitudes.

C.L. Stevenson uses the term 'magnetism' to show that if person expresses a particular attitude *ipso facto*, the person is supposed to acquire a stronger tendency towards that attitude. This explains why ethical judgments are emotive. This evokes the sentiments of the person expressing them. The agent tries to create an influence which comes through evocation. Steveson further opines that ethical terms are not empirical. As such they cannot yield to scientific verification. He extended the scope of ethics in a significant way to conclude that ethical statements are both emotive and descriptive. This means that an act has to be described in order that the emotive effect is carried through. for example if I tell somebody that X is good, it might *abinitio* not make any meaning to him, but if I describe X to the person, he comes to better understand X. if my explanation is convincing, he will come to embrace it. Having embraced it, he will not find it odd to act according X. this is how emotivism works. This means that one, in expressing his feelings, should do it with enough persuasive force so as to make the second person to capitulate and adopt one's attitudes. The dynamic nature of it does not limit truth and falsity to objective moral principles. It merely exalt emotions, beliefs and attitudes. It makes them determinant of what is right and what is wrong. Emotivism is a relativist ethical theory. As such, it shares in all short comings of ethical relativism. No sane person will accept the view that endemic disagreements are useful for the growth of disciplines. The good should not be seen as it appertains to the interest of the individual. But as it concerns the generality of mankind. A view based on emotivism will lead to serious conflict because every man will be set on the aggrandizement of his own personal desires. This would mean or culminate into a state of war or anarchy where 'might will be right'. And in the words of Hobbes life would be 'nasty, brutish and short'.

Emotivism is seen to be destructive of morality since it does not provide for the existence of universal objective moral standards.

In emotivism, rationality is suppressed. And arbitrariness is allowed to reign. On this note emotivism makes moral reasoning difficult since each person is expected to adopt the view that appeals to him. And also strive to make sure that other people emulate him in adopting the same view. Emotivism would implicitly amount to saying that all things. This would amount to the principle of one man's meat being another man's poison.

If we are from the same stock and heading to the same destination, justice demands that we all be supplied with the same capacity to attain this end.

Emotivism should be seen as a theory that has paved a new way of looking at ethical issues. Its loathsomeness lies chiefly in the fact that it does not encourage uniformity and agreement in our moral discourse.

In emotivism we are talking about motivation. We are motivated to express this approval and to expect a corresponding attitude from others. In the case of emotivism, motivation hardly comes from the others but from emotion. Emotion can be perverted. What can be perverted can hardly be reliable. The consequence is that our moral judgments, based on emotional motivation, might not be the best in a given circumstance. The fact that we are something mistaken in moral judgments attest to the unreliability of emotional motivation. The belief that emotivism provides us with no factual statements has been seen as the proper nature of ethics, but this is one of the pitfalls of emotivism.

Institutionalism is a critique of emotivism. Institutionist's holds that facts are known to be true or false independently of the agents' 'ego involvement'; provided the agent has the intellectual capacity to discern the truth of the case which is objectively given.

This means that the emotions of individuals cannot and do not constitute criteria for ethical desirable actions. It is objective reason and not persuasion that is important in the task of moral justification.

## UTILITARIANISM

Utilitarianism is an ethical theory which like emotivism and institutionalism has been used to explain the nature of ethical inquiries. It looks at the ends of moral action as well as the means for achieving these ends.

Utilitarianism is a teleological theory which holds that the morality of an act consist in its utility to serve as a means to some end. Utilitarianism is seen as an ethical view which sees the ultimate standard of right, wrong and obligation as that which is dependent on the principle of utility.

## SITUATION ETHICS

Situation ethics is a system which is partially a reaction against legalistic formalism in ethics. It is a 'by product' of existentialism which emphasizes the actual uniqueness of a person in a particular situation.

In situation ethics morality does not consist in formalistic observance of law, morality is the sincerity of one's response to a situation and the uprightness of one's intention. This means that the rightness or wrongness of actions are discoverable in the nature rather than in the value of actions as

such, This situation ethics is an approach to ethical issues which regards as primary the situation and ethical demands of the situation other than already established general rules.

Actions are evaluated based on the demand of particular situations which in the first place influence the decision of the moral agent. Situation ethics does not look at the general rule that is believed to hold in all cases. Situation ethics is therefore an exception to the application of general rules.

Situation ethics admits no moral or absolute moral law, since no moral law is always applicable in all situations. A moral law that is applicable in one situation may not apply in another situation. This follows that the badness and goodness of an action depends on the situation in which it is performed. Situation ethics discourages the world view that we have universally binding law that must guide our actions in all situations. It does not believe in universal moral imperatives or what Kant calls categorical imperatives like 'Thou shall not kill' the injunction of situation ethics would be 'Thou shall not kill if the situation demands it'.

Joseph Fletcher, an American moralist, is the chief exponent of this ethical view. In his work titled *situation Ethics*, Fletcher teaches that every situation is unique; consequently, every kind of action cannot remain morally inherent in the action so it should be judged along with the situation. J.J.C Smart is also a situation ethicist.

G. Moore holds that in every situation, we should ask ourselves whether the greatest amount of good will come out of it. In the case of Bentham particular situations are judged good or bad, right or wrong in terms of the quantity of pleasure that ensues from such situations.

Situations ethics makes prominent the great divide that exists between the traditional ethicist and the modern ethicist. While traditional ethicists like the theologians believe that certain acts like abortion, murder, adultery are intrinsically bad, the modern ethicists say that the situation justifies the action.

In situation ethics, conscience also plays a role. If one's conscience does not prick one on the commission of an offence in a given situation, then the action is likely to be the best possible alternative course of action. The situation ethicist sees conscience as a living judge that is not formed from reasoning in a general way, but from the reasoning that features in particular situation since all situations are individually unique. Each act of conscience is self-sufficient. The situation ethicist also believes that in particular situations, intuition can reveal the best possible action.

To the situation ethicist, there is nothing like absolute morality. Rather we have relative and subjective morality. The important point is to note the presence of personal value which differs from person to person and which is bound to affect our decisions in particular situations. What situation ethics demands is that, in every situation, the agent should be able to produce the objective morality of the situation.

#### THE ACCOUNTANT AND ETHICAL ISSUES IN BUSINESS

An ethical issue in business is a problem, situation, or opportunity that requires an individual decision maker, group of people, or organization to choose among alternative actions

that must be evaluated as (the better) right or (the lesser) wrong, ethical or unethical. We use the ethical reasoning methods as the primary tool for making such evaluation.

Ferrell, Fraedrich, Ferrell identify five major ethical issues in business including honesty and fairness, conflicts of interest, fraud, discrimination, and information technology, while all issues affect the practice of accounting, we focus on the first three (separating the discussion of honesty and fairness) because they are most directly related to the goal of producing accurate and reliable financial statements.

#### HONESTY

Abraham Lincoln once said, "No man has a good enough memory to be a successful liar." A person who lies about a matter then has to remember what was said and be sure to provide a consistent response when questioned; otherwise the story will come apart over time. It's already etched in your mind. You have an obligation to be honest and trustworthy. Moreover, what kind of example do you set for your son and daughter if you do improper things in business while touting ethical behavior at home in your personal life?

#### FAIRNESS

Fairness also implies objectivity in accounting and auditing. Accountants should approach their roles as preparers of financial statements without bias or predisposition of how transactions should be reported and disclosed. There are two important points. First, the statement should be transparent: accurate, reliable, and reflect full disclosure. Second, and related to the first requirement, is for the statement to be prepared in accordance with GAAP and not be misleading.

It is important to note that the idea of being "fair" is often shaped by vested interests. One or both parties to a business negotiation may view an action as unfair or unethical because the outcome was less beneficial than expected. Fairness relates to utilitarianism in this regard, and it is based on the theory of justice.

#### CONFLICT OF INTERESTS

A conflict of interest is a situation in which private interests or personal considerations could affect or be perceived to affect an employee's judgment to act in the best interest of the organization. Examples include using an employee's position, confidential information, or personal relationships for private gain or advancement.

Objectivity and integrity are essential qualities for employees of any organization. It is the perception that a person may be influenced matters or relationship not relevant to a decision that creates many of the conflicts of interest problems in business. For example, assume that a purchasing manager for a manufacturing company has to decide which of two suppliers should be given a contract to provide millions of dollars of raw materials to the company. The purchasing manager's brother-in-law is the sales manager of one of the two companies. If the purchasing manager selects that company for the contracts, the perception may be that his

decision was tainted by the existence of a family relationship in awarding the contract.

Does that mean that the purchasing manager should choose the other supplier to avoid any questions about bias in the decision-making process? While that may protect the integrity of the decision, it's not very fair to the brother-in-law or to his company, assuming that it provides the best product at the most reasonable price. So, what should the purchasing manager do? One possibility is to allow someone else to make the decision. He could step aside or recuse himself from the matter and avoid the appearance of bias.

#### FRAUD

Fraud can be defined as a deliberate misrepresentation to gain an advantage over another party. Fraud occurs as a result of a failure in organization ethics because financial statement fraud cannot occur without the involvement of top management and either a breakdown or override of internal controls. In these organizations, the tone set by top management does not promote ethical behavior, and the result is increased pressure on accountants and auditors to detect and report fraud.

#### III. RECOMMENDATIONS

The accounting profession should have a process in its organization which encourages objections to bad decisions but still allows decisions to be made and progress following those decisions.

All accountants should be encouraged to build their moral behavior as it has a relative influence on once ethics.

Before employing an accountant the moral behavior of such accountant should be looked upon into.

Ethics are a personal code of behavior and it is individualistic in nature, and therefore code of ethics should be coined to be simple and achievable.

#### IV. CONCLUSIONS

Ethical behavior is difficult for any researcher to measure and analyze specially in real life situations. Results are often imprecise due to the challenges inherent in quantifying what is ethical and what is not. Much of work done is theoretical and involves either creating or applying ethics models. To draw conclusion on ethics research due to the many variables involved. Researchers must rely on judgement and assumptions as they study an individual's actions, reactions, and reasoning for the individual's behavior. Nonetheless, the conclusions drawn and models proposed in ethics research provide valuable insights into ethical behavior and it is an important area of academic research.

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