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ETHICS IN THE ACCOUNTING PROFESSION

Introduction

The specifics of the accounting profession goes well beyond the area of the necessary qualifications related to the job. The environment of organizations that are functioning in the 21st century does not only take into consideration the principles of accounting but also the rules of ethics. A significant approach to build trust in organizations through ethical activities may currently constitute a dominating trend. The attempts to meet such expectations may become the basis for the development of organizations in recent conditions. It seems that in the knowledge-based economy, the accounting profession that is based on ethical conduct will be of substantial significance in the achievement of this objective.

The aim of the article is to present the significance of ethical behavior in the conditions of the dynamically changing environment of an organization, to show the characteristic features of the accounting profession from the point of view of ethics and to discuss and partially assess the activities introduced by the Association of Accountants in Poland.

1. The significance of ethical behavior in a turbulent environment

The requirements of the social and economic environment of the 21st century that are faced by entrepreneurs are the subject of interest on the part of the theoreticians and practitioners of management. It is an increasingly difficult challenge in the globalized business world to develop an organization that would enjoy the appreciation in the changing market environment. In the knowledge-based economy one can currently observe a strong trend to analyze data (which constitute for the stakeholders the basic information about the organization). *Financial data are the basis for the assessment of operations by the owners of organizational entities and are helpful in making several key economic decisions as regards both the internal and external recipients*¹.

According to M.Kwiecień, *a bigger transparency concerning the operations of business organizations – their financial and asset conditions, their results and plans for the future –*

¹Kogut J. (2014), Etyka w rachunkowości, a jakość sprawozdań finansowych, Prace naukowe Uniwersytetu Ekonomicznego we Wrocławiu, No. 329/2014, p.162

determines their information policy². It seems, however, that currently there is a decline of trust in the data presented by organizations in the form of financial or auditing reports³. This is due to the negative experience with the cases when organizations presented falsified data in their documents. That deteriorated the condition of the stakeholders of such organizations.

The above mentioned factors are likely to result in the decrease of the sense of organizational stability⁴. Thus, both the employees, the investors and the public opinion pay particular attention to the symptoms of ethical behavior in organizations⁵. As M. Bugdol puts it, ethical behavior is *the behavior that is in line with the norms and standards accepted by the organization*⁶; moreover, it is the behavior that aims at the development of an organizational value system and the one that follows the accepted social norms⁷. Following B. Józefowicz, who says that *the success of every company depends largely on people who work there*⁸, it can be concluded that the behavior of internal stakeholders will have a significant impact on the results achieved by the organization. What is more, according to A. Karmańska, ethical behavior has a crucial influence on the sense of the security of all individuals and business entities that are engaged in economic activities⁹.

However, ethical behavior of the staff in an organization does not only result from individual determinants but also from the qualities of the organization itself – mainly from its culture (with a particular consideration of the ethical culture¹⁰). The sources of ethical behavior of the employees are presented in Figure 1.

²Kwiecień M., Iwasieczko B., (2011), Edukacja menedżerska a dobre praktyki w rachunkowości – kierunki badań, Master of Business Administration” 6/2011 (113), p. 48

³Kogut J. (2014), Etyka w rachunkowości, a jakość sprawozdań finansowych, Prace naukowe Uniwersytetu Ekonomicznego we Wrocławiu, No. 329/2014

⁴Godlewska M., Weiss, E.(ed.), (2009), Zarządzanie przedsiębiorstwem w dobie globalizacji, VIZJA PRESS & IT, Warszawa.

⁵Gruszecki T. (2002), Współczesne teorie przedsiębiorstwa, PWN, Warszawa

⁶Bugdol M. (2007), Gry i zachowania nieetyczne w organizacji, Difin, Warszawa, p.58

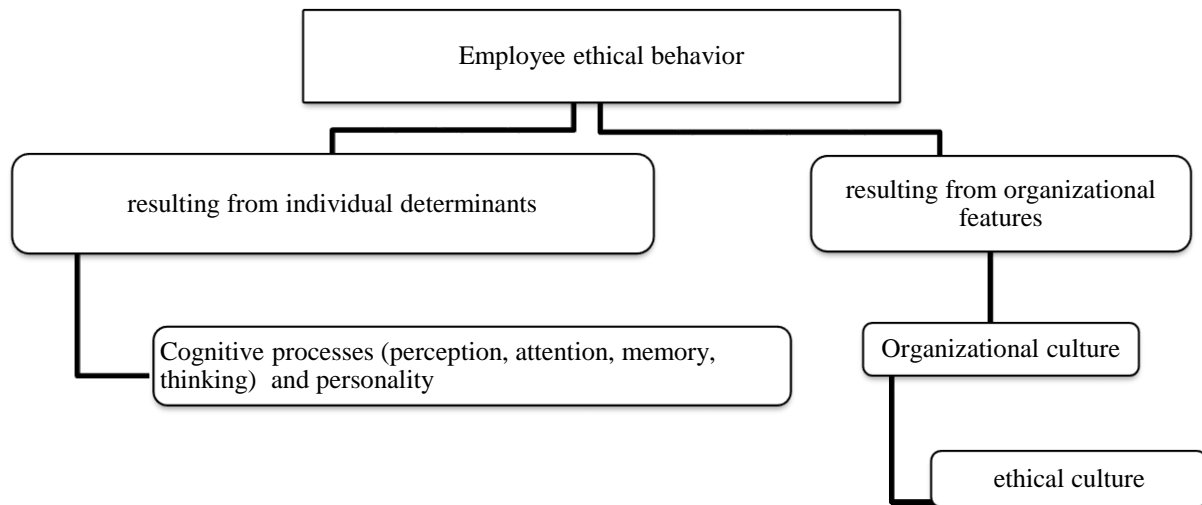
⁷Griffin, R.W., (2004), Podstawy zarządzania organizacjami, Wydawnictwo Naukowe, Warszawa.

⁸Józefowicz B. (2010), Prorozwojowe zachowania pracownicze jako wynik pozytywnego potencjału organizacji, pozytywnej kultury organizacyjnej i pozytywnego klimatu organizacji [in:] Pozytywny Potencjał Organizacji. Wstęp do użytecznej teorii zarządzania, Stankiewicz M. (ed.), Wydawnictwo Dom Organizatora, Toruń, p. 141

⁹Karmańska A. (2006) (ed.) Kompetencje i etyka w rachunkowości zarządczej. W: Karmańska A. (ed.), Rachunkowość zarządcza i rachunek kosztów w systemie informacyjnym przedsiębiorstwa, Difin, Warszawa.

¹⁰Lewicka D., Michniak J. (2014), Rola kultury organizacji w procesie budowania wysokiej jakości środowiska pracy [in:] Metody zarządzania kulturą organizacyjną, Sułkowski Ł., Sikorski Cz., (ed.), Difin, Warszawa.

Figure 1. The sources of employee ethical behavior



Source: Author's study based on Nęcka et al. 2006 and Lewicka, Michniak 2014.

It is particularly important to take into consideration the issue of the adjustment of the employee's values to the values of the organization. A research run by PricewaterhouseCoopers¹¹ indicates that employees of generation Y expect the employer to share their system of values. According to A. Stachowicz-Stanusch, values are the bond that binds the needs and aspirations of individuals with the objectives of the organization¹².

Irrespectively of the type of organization, its size or the sector, and its value system, there is always a hypothetical possibility of a conflict between activities that are beneficial to an individual and activities that are considered to be more effective for the organization. The accounting IT systems, apart from the opportunity to conduct estimations, allow for the creation of a desired image of the organization (e.g. in a financial report) that may be lowly correlated with the real situation. *Currently, one can observe significant changes also in the area of the accepted norms in the field of accounting, which is the result, among other things, of the commercialization of life, which creates numerous opportunities to break the rules of ethical work and cooperation and has a direct impact on the behavior of people dealing with accountancy*¹³.

¹¹PWC NextGen Study 2013 http://www.pwc.pl/en_GX/gx/hr-management-services/pdf/pwc-nextgen-study-2013.pdf, (Accessed: 20.11.2015)

¹² Stachowicz-Stanusch A., (2007), Potęga wartości. Jak zbudować nieśmiertelną firmę, OnePress, Gliwice.

¹³ Grażyna Urbaniak, Etyka w rachunkowości, https://www.ms.gov.pl/Data/Files/_public/aktual/etyka-w-rachunkowosci.pdf, (Accessed: 20.11.2015)

The problem faced by an individual (a person that deals with accounting) consists in solving the dilemma whether one should act in the way that is expected by the organization or in the way that the individual considers to be right. The settlement of such conflict can be supported by an ethical code that is professionally prepared and implemented. J.Kogut points at a crucial significance of the implementation of ethical principles in the accounting profession although he states that there are no accounting standards that would secure an organization against unethical behavior in that area. According to her *the avoidance of ethical issues may lead to the so called aggressive accounting and result in the distortion of the picture of company's asset and financial position.*¹⁴

The chapter below presents the characteristic features of the accounting profession in the context of the above determinants.

2. Characteristics of accounting profession

*Accounting is one of the most important components of the functioning of economic organizations. It is a system that is responsible for generating, processing and presenting economic information*¹⁵. As it was presented in the previous chapter, the dynamic change in the external and internal environment of an organization requires sensitivity to ethical issues in the accounting profession. This is due to the fact there is a significant relation between the effects of the work and its economic results. According to A.Buczowska, *the quality of the work of accountants does not only influence significantly the development of the entity that they work for. Their work has a direct impact on the decisions made by various groups of the users of information that comes from accounting and it also indirectly affects economic and social changes*¹⁶.

Thus, it seems that the ethical context of the accounting profession cannot be overestimated. In the knowledge-based economy, the accounting profession does not only concentrate on the execution of tasks in line with appropriate provisions but it should also follow particular rules of conduct. Such rules contribute to the development of trust (both on the part of internal and external stakeholders) in the accounting work. According to the

¹⁴ Kogut J. (2014), Etyka w rachunkowości, a jakość sprawozdań finansowych, Prace naukowe Uniwersytetu Ekonomicznego we Wrocławiu, No. 329/2014, p.162

¹⁵ Żuraw P. (2012), Kodeks Zawodowej Etyki w Rachunkowości w procesie zarządzania polskimi przedsiębiorstwami, Annales. Etyka w życiu gospodarczym, 2, vol. 15, Archidiecezjalne Wydawnictwo Łódzkie, Łódź, . p 121.

¹⁶ Buczowska A. (2011), Etyka zawodu księgowego w świetle krajowych i międzynarodowych regulacji, Zeszyty Naukowe Uniwersytetu Szczecińskiego, NR 668 Finanse, rynki finansowe, ubezpieczenia, No. 41, p.54

literature on the subject, the first principle is *honesty*¹⁷. As A.Kamela-Sowińska says, *when national or international accounting standards are applied, the flexibility increases as regards the methods of valuation or presentation of particular economic events, which may determine purposeful and unlawful manipulation or distortion of data presented in financial reports*¹⁸. Moreover, the literature on the subject mentions the principles of objectivity, confidentiality and professional behavior¹⁹. It also focuses on the necessity to develop permanently the respect to the accounting profession through high culture of accountants. Other qualities that should characterize the conduct of accountants include dutifulness, orderliness and morality²⁰.

However, the analysis of the case studies of organizations where significant accounting mistakes were made leads to the conclusion that the compliance with the above presented standards is not always the norm. One can see an increased interest of researchers and practitioners in the motives of unethical behavior in accounting after the well-known and *the most high-profile accounting scandal* in Enron²¹. The motives can be divided into the employee-related and the external ones. According to the literature on the subject, the external motives include the pressure from superiors (one can speak here of the loyalty conflict²²), unclear legal provisions that should be applied in accounting, the inadequacy of the auditing to current circumstances, and the lack of public supervisory institutions²³. The internal motives include mainly the desire for particular financial benefits, the reluctance to take the responsibility for actions, personal qualities and the insufficient knowledge on the legal provisions that regard accounting²⁴. Consequently, one can speak of the so called creative accounting, i.e. *the use of the range of freedom by the authors of financial reports that results*

¹⁷ Ibidem.

¹⁸ Kamela-Sowińska A. (2007) Rachunkowość na zakręcie. [w:] Rachunkowość wczoraj, dziś i jutro. SKwP, Warszawa, p. 153.

¹⁹ Buczkowska A. (2011), Etyka zawodu księgowego w świetle krajowych i międzynarodowych regulacji, Zeszyty Naukowe Uniwersytetu Szczecińskiego, No. 668 Finanse, rynki finansowe, ubezpieczenia, No. 41, p.47, Kodeks etyki zawodowych księgowych, IFAC (Code of Ethics for Professional Accountants) , New York 2009, p. 4.

²⁰ Ibidem.

²¹ Żuraw P. (2012), Kodeks Zawodowej Etyki w Rachunkowości w procesie zarządzania polskimi przedsiębiorstwami, Annales. Etyka w życiu gospodarczym, 2, vol. 15, Archidiecezjalne Wydawnictwo Łódzkie, Łódź, s 122.

²² Michreda B. (2012), Aspekty etyczne współczesnej rachunkowości, Studia Ekonomiczne, Uniwersytet Ekonomiczny w Katowicach, nr 125, Za i przeciw wartości godziwej w rachunkowości. Teoretyczne aspekty wartości godziwej, s. 75-86, za A. Kamela-Sowińska, wywiad opublikowany w protokole nr 619/2002 z posiedzenia Zarządu Głównego Stowarzyszenia Księgowych w Polsce; por. A. Kamela-Sowińska: Skąd się wzięła sprawa Enronu? „Rachunkowość” 2003, nr 4.

²³ Ibidem.

²⁴ Stowarzyszenie Księgowych w Polsce, Oddział Okręgowy w Łodzi, „Wywiad o Kodeksie Etyki”, <http://www.lodz.skwp.pl/stowarzyszenie/wywiad-o-kodeksie-etyki> (Accessed: 20.11.2015)

*from the lack of adequate patterns, standards, principles and procedures that constitute the basis for the decision making process in the sequence of the main steps of creating the information in financial reports: the recognition, valuation, disclosure and presentation.*²⁵

According to surveys, 37% of Polish respondents point out to the fact that financial results given in reports are better than in reality. The most common examples of accounting abuse concern pressing customers to buy unnecessary products in order to achieve short-term sales targets (19%), negotiating with suppliers antedated discounts or bonuses (16%) or accounting underestimated costs to achieve short-term budget goals (14%)²⁶.

It seems that in current situation it is of crucial importance for proper accounting to follow ethical rules and to contribute to building a trustworthy company image. There are several tools to support the development of ethical behavior²⁷. They include instruments that diagnose current condition of an organization (e.g. ethical audit or staff satisfaction survey), normative acts that support the development of ethical behavior (e.g. code of ethics, anti-mobbing procedure or ethical standards) and instruments that support the development of high-quality work environment (e.g. transparent personnel practices, stress prevention at work, building trust and respect, supporting work-life balance and variety management). The next chapter presents the tools applied in the accounting profession and the evaluation of one of them.

3. Good practices in accounting profession in the context of ethical behavior

The previous two chapters discussed the significance of ethical behavior in today's economic environment and indicated the fact that accounting profession is particularly exposed to unethical behavior. The Association of Accountants in Poland (SKwP), being aware of the complexity of the issue, takes measures aiming both at the elimination and prevention from unethical behavior in the work of accountants. The Association developed a code of ethics²⁸, a Bank of Ethical Dilemmas and it established an Ethics Committee. The Code of Professional Ethics in Accounting was investigated with the application of the Code

²⁵ Michreda B. (2012), Aspekty etyczne współczesnej rachunkowości, Studia Ekonomiczne, Uniwersytet Ekonomiczny w Katowicach, No. 125, Za i przeciw wartości godziwej w rachunkowości. Teoretyczne aspekty wartości godziwej, p. 77

²⁶ Badanie Nadużyć Gospodarczych 2015, Europa, Bliski Wschód, Indie i Afryka (EMEIA), EY 2015, <http://www.ey.com/PL/pl/Services/Assurance/Fraud-Investigation---Dispute-Services/ey-fraud-survey-2015> (Accessed: 27.11.2015)

²⁷ Michniak J. (2015), Narzędzia kształtowania zachowań etycznych pracowników w zarządzaniu organizacją, (unpublished doctoral thesis).

²⁸ Stowarzyszenie Księgowych w Polsce, Zarząd Główny w Warszawie (2012), Kodeks Zawodowej Etyki w Rachunkowości, http://www.skwp.pl/files/zg/kodeks_etyki/kodeks_zawodowej.pdf (Accessed: 20.11.2015).

of Ethics Checklists²⁹. The checklists are used to evaluate the codes of ethics of organizations that operate in Poland. They were developed in line with the opinions of expert theoreticians and practitioners. The experts included the representatives of science and business who are specialists in HRM and the development of ethical behavior of staff. The expert theoreticians and practitioners pointed at the varied significance of particular criteria (ranked in the scale ranging from 1 to 11, where 1 indicates that the criterion is of the highest significance), which is given in Table 1.

Table 1. Checklists applied to investigate Codes of Ethics by theoreticians and practitioners

Ranking position of the criterion by expert theoreticians	Assessment criteria of a code of ethics	Ranking position of the criterion by expert practitioners
1	Commitment of leaders (e.g. a letter from a leader with his/her signature in the introduction to the code)	3
2	Reference to the mission and vision of the organization	5
3	Guarantee of anonymity of the individual reporting an abuse and the assurance of the lack of tolerance to a retaliatory action	4
4	List of benefits resulting from functioning within the code of rules	5
5	List of sanctions for breach of rules	1
6	Writing down a contract on compliance with the rules of the code of ethics	6
7	Auxiliary materials (the availability of such documents as FAQ sets, checklists to check what is allowed/forbidden, examples and case studies that will help the stakeholders understand key issues of the code).	2
8	Information on the continuous opportunity to introduce indispensable changes to the code	8
9	Presentation style – clear division to chapters and subchapters based on specified pattern	7
10	Form of the document – formal or informal language	9
11	Availability of the explanation of the code's content	6

Source: Michniak J. (2015), Narzędzia kształtowania zachowań etycznych pracowników w zarządzaniu organizacją, unpublished doctoral thesis, p. 167.

The investigation of the Code of Professional Ethics in Accounting consisted in the verification of the implementation of criteria listed in the Checklist. The analysis excluded the criteria typical for an organization, such as the reference to its mission and vision.

²⁹Michniak J. (2015), Narzędzia kształtowania zachowań etycznych pracowników w zarządzaniu organizacją, (unpublished doctoral thesis).

The investigation showed that the analyzed document implements all the criteria from the Checklist apart from the one regarding the assurance of anonymity of a person notifying unethical behavior. The code includes a provision on the necessity to inform immediately about such cases but it does not provide the guarantee of anonymity of the notifying person (what is more, the provision of the code indicates the necessity to sign the notification). According to the expert theoreticians and practitioners, the significance of this criterion is comparatively high (it ranks third and fourth, respectively, on the Code of Ethics Checklist; cf. table 1)

It seems that such provision should result in the increase of the efficiency in the elimination of unethical behavior in accounting.

However, as it fulfills nine out of the ten criteria under analysis, the document can be considered as the tool that influences ethical behavior in the accounting profession.

It should be indicated that the code of ethics itself does not guarantee ethical behavior on the part of employees. The measures taken by the Association of Accountants in Poland aiming at the development of a Bank of Ethical Dilemmas may contribute to the prevention against unethical behavior. According to its authors, *its objective is to promote and implement the principles of ethics in the accounting profession*³⁰ by publishing case studies on ethical dilemmas. The Association welcomes to cooperation both its members and the people who deal with accounting either as professionals or scientists. Case studies can be sent without the name of the organization that they refer to and they do not have to include the name of the author of the study. Such good practice does not only contribute to an ongoing prevention against unethical behavior in the profession but also it constitutes a rich educational material.

Conclusion

The issue of ethical behavior is of particular significance in business. The problem is crucial as regards the importance of ethical behavior of the accounting staff. The article indicates that this area is particularly sensitive to pathologies which may affect both the organization itself and its external stakeholders. The measures taken by the Association of Accountants in Poland seem to provide the opportunity to prevent the occurrence of unethical behavior.

³⁰ Stowarzyszenie Księgowych w Polsce, Zarząd Główny w Warszawie (2011), „Bank dylematów etycznych, broszura informacyjna”, http://www.skwp.pl/files/zg/kodeks_etyki/bank.pdf (Accessed: 20.11.2015), p.5

Among further directions of research on ethical issues in the accounting profession, one should consider the need to look for other tools that may contribute to the development of ethical behavior among accounting professionals. It seems that the classification of tools presented in chapter 2 may constitute the basis for the research on that issue.

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Abstract

The article deals with the issue of ethical behavior with a particular consideration of the significance of the issue in the accounting profession. It presents social-economic conditions that influence significantly the trend towards the increased sensitivity to ethical aspects in business operations. Moreover, the article discusses the specific features of the accounting profession in the context of ethical risks related to this profession. The last chapter presents a list of good practices in the prevention and elimination of unethical behavior among accounting professionals.