

Vol 4 Issue 11 Dec 2014

ISSN No : 2230-7850

International Multidisciplinary
Research Journal

*Indian Streams
Research Journal*

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RNI MAHMUL/2011/38595

ISSN No.2230-7850

Indian Streams Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

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ROLE OF ETHICS IN PROFESSIONAL ACCOUNTING AND EFFECT ON MANAGEMENT DECISION-MAKING

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Abstract:-Accounting professional ethics, it is important that the professional integrity and ability directly accounting for the impact of public trust. Ethic the collection of sentences that determine the truth or falseness judgments of behavior in a society will be specified. But this kind of sentences varied and sometimes is contradictory and a lot depends on the position and vision dimension. Moreover, although moral transformation of society according to its own dynamics, but can not be adapted itself to severe changes. Information age means the process of increasing importance to information production process towards the production of goods and energy. In this process, the main source of production is humans and most activities are innovation and creativity and the exchange of information. In addition to the information age makes network communication is obvious that the conditions of its own ethical response also seek de. The important thing is that judging people on things true or false, strongly on their performance as the main factor is the effect of production and exchange information.the nature of accountant's work puts them in a special position of trust in relation to their clients, employers and general people, who trust on their professional judgment and guidance in making decisions. The Moral Accounting for Professional Accountants And those who rely on accounting services is very important. Businesses rely heavily on accounting ethics, whether they're aware of it or not. Unless investors, creditors and managers can be reasonably confident that the financial record keeping practices of their accounting professionals are honest, straightforward and consistent with industry standards, it is unlikely they can trust their records' accuracy.

Keywords:ethics, accounting, professional accounting, management, management organization

INTRODUCTION

The Role of Ethics in Management As responsible adults attempting to carve out our financial existences and storing away funds for what we hope will be a comfortable retirement; we all have to answer the ever-nagging question: "How much money is enough?" In doing so, we are typically also forced to face issues such as the amount of time spent in the workplace rather than at home with our loved ones, as well as trying to differentiate between earning a "good living" and simple greed. We are often told that in order to be truly healthy, we must maintain a balance in our lives. And in order to have that balance, we must draw the proverbial line in the sand,

Then attempt to achieve our goals without being personally abusive. Managers in organizations face ethical issues every day of their working lives. There is seldom a decision they face that does not have an ethical dimension or facet to it. In addition to facing ethical aspects in their decision making, they confront ethical issues as they carry out their leadership responsibilities. Whether they be engaged in planning, organizing, motivating, communicating, or some other management role, they face the fact that matters of right and wrong, fairness and unfairness, and

Justice or lack of justice creep into their decisions, actions or behaviors. Furthermore, it does not matter what level of management is under consideration – top, middle, or lower; managers at all levels, and in all functions, face situations wherein ethical considerations play a major role.

When the characters shake people in the community, the community is vulnerable to catastrophic. Viability and survival of a people or a culture depends on the people with moral values simple things like courage, altruism, respect for others and the law. A nation will not survive unless the people who possess the incentives beyond personal profit. Law, respect for human lives and properties, love of family, support of national goals, helping the poor and the payment of taxes, all personal virtues such as bravery, loyalty, honesty, forgiveness, charity, sympathetic, courteous, depend decency and sense of duty. Ethics is a subject that is inclusive of all aspects of human life cover. Growing human populations and more complex social relationships, created new needs. The emergence of various professions, born of an effort to respond to these requirements as conditions change over time and gradually shaped the course of evolution spend . The profession because of the need for division of labor and specialization of tasks are becoming more coherent and play their part in improving the general welfare of society. Survival of the profession and its members depends on the type and quality of employment services that provide credibility and Confidence as a result of providing these services to gain. The main asset of any business is to maintain its credibility and trust are of paramount importance.

PROFESSIONAL ETHIC HISTORY

The professional ethics same as many aspects of management science has come to Existence based on need with birth of movement of social responsibility in 1960 Decade, the professional ethic has become mooted as fields of management knowledge.

In this aforesaid decade the social movements increased the people's expectations from organizations. The employees are in this belief that their organization should make use of their Several and wide facilities for removal of social difficulties such as poverty, roughness, right equality, mental health and etc.

What is the Business and Accounting ethics?

"Accountants and the accountancy profession exist as a means of public service; the distinction which separates a profession from a mere means of livelihood is that the profession is accountable to standards of the public interest, and beyond the compensation paid by clients."

ROBERT H. MONTGOMERY

- ❖ Business ethics are important for managing a sustainable business mainly because of the serious consequences that can result from decisions made with a lack of regard to ethics. Even if you believe that good business ethics don't contribute to profit levels, you should be able to recognize that poor ethics can have a detrimental effect on your bottom line in the long term.
- ❖ Accounting ethics is primarily a field of applied ethics the study of moral values and judgments as they apply to accountancy.
- ❖ The nature of the work carried out by accountants and auditors requires a high level of ethics. Shareholders, potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of a company as they can use this information to make an informed decision about investment. They rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the company. Knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the company, will benefit the public who relies on the accountant/auditor's reporting.

Principles of Accounting Ethics:

Necessary to achieve the objectives of the accountancy profession by the professional accountants, compliance with fundamental ethical principles of accounting. It aims to provide professional accounting ethics are as follows:

- 1) **Integrity:** professional accountant in performing professional services must be honest.
- 2) **Neutrality:** professional accountant should not allow any prejudice, bias or influence others, his impartiality in professional services, is flawed.
- 3) **Competence and caring Professional:** professional accountant should perform professional services with accuracy, competence and diligence and maintain the knowledge and skill at a level that would ensure.
- 4) **Privacy:** professional accountant should be confidential information acquired in the course of their professional services focus.
- 5) **Conduct professional:** professional accountant should act in a way that is consistent with his professional reputation.

Professional Behavior

The principle of professional behavior imposes an obligation on all professional accountants To comply with relevant laws and regulations and avoid any action that the professional Accountant knows or should know may discredit the profession. This includes actions that a Reasonable and informed third party, weighing all the specific facts and circumstances Available to the professional accountant at that time, would be likely to conclude adversely Affects the good reputation of the profession In marketing and promoting themselves and their work, professional accountants shall not Bring the profession into disrepute. Professional accountants shall be honest and truthful And not:

- (a) Make exaggerated claims for the services they are able to offer, the qualifications They possess, or experience they have gained; or
- (b) Make disparaging references or unsubstantiated comparisons to the work of others.

Six Purpose of Accounting Ethics Training:

1. Ethical issues related to accounting training
2. Recognition of accounting issues that have ethical implications.
3. Develop a sense of moral obligation and responsibility.
4. Develop the capabilities needed to deal with ethical conflicts or problems.
5. Learn to cope with the uncertainty of the accounting profession.
6. Set the stage for a change in moral behavior.

ETHIC MANAGEMENT PROGRAMS

Organizations can control and direct the ethics in work environment. This program Includes the completion of ethic and educational codes and decision making methods and practice in ethical uncertainty and evaluating the employees? morality behavior. The most important step in ethic management is to prepare the list of preferable values of organization that is called ethical charter of organization. In fact ethical charter of organization include the values collection that as compare with other values is preferable for organization and it should be followed by employees and managers . The values such as honesty, truthfulness, promise fulfillment, faithfulness, respect, independence, secret preservation, dignity, politeness, compromise , belief, reliance ,respondent , accomplishment, compassion, to consider others favorably, assistance ,benefit sharing, kindness, justice, fairness, impartiality ,opinion consistency, law abidingness , social serving and considering all these matters help to have fully favorite level of social prospective of organization, individual & organizational performance of employees, kinds of relations between managers and employees and extent of goals achievement. Most of the organizations try to help to employees as well as managers by compilation of professional ethics principles and chose the correct way in ethical irresolution and the difficulties such as pressure , tiredness heavy and hard work do not be cause for choosing unethical solutions.

The Role of Professional Accounting Bodies in Promoting Professional Accountants

Professional accounting bodies globally have the important mandate of representing, promoting and enhancing the global accountancy profession. At the national level, the professional accounting body is the voice for the nation's professional accountants; this includes all professional accountants both in practice and in business. Because they play different roles in the society, the overall status of the accountancy profession can only be strengthened when both professional accountants in practice and in business are well-perceived by society. Because professional accountants in business are often the only members of staff who are professionally trained and qualified in accounting in the organization, they are more likely to rely on their professional accounting body for assistance in carrying out their work. They will look to the professional accounting body to provide them with the support and resources they need in doing their daily jobs and to keep their skills up-to-date. For example, professional accountants in business may look to their subject matter experts in the accounting body for advice on how to handle ethical dilemmas. They will also be dependent on their accounting body to provide continuous professional development training initiatives to keep their knowledge and skills current.

Philosophical theories of ethics

Decision making based on intuition or personal feeling does not always lead to the right course of action. Therefore, ethical decision making requires a criterion to ensure good judgment. The philosophical theories of ethics provide different and distinct criteria for good, right or moral judgment. Three prominent philosophical theories of ethics are utilitarianism, rights and justice. They are normative theories of ethics, which provide a principle or

standard on how a person ought to behave towards others by considering the right and wrong of an action.

(a) The theory of utilitarianism

According to this theory, the ethical alternative is the one that maximizes good consequences over bad consequences. Jeremy Bentham, who is considered as the father of utilitarian ethics, defines utilitarianism as the greatest happiness principle (the principle of utility), which measures good and bad consequences in terms of happiness and pain. He wrote as follows in his book 'An Introduction to the Principles of Morals and Legislation.

(b) The theory of rights

The theory of rights stems from the belief that people have an inherent worth as human beings that must be respected. Therefore, according to this theory, a good decision is one that respects the rights of others.

(c) The theory of justice

Understanding this theory requires understanding various notions of justice. Generally, justice is described as fairness, which refers to the correlation between contribution and reward. However, fairness alone cannot define the term justice. There are also other forms of justice, which include equality (assumes that all people have equal worth), procedural justice (concerns with due process) and compensatory justice (addressed the loss from a wrongful act). However, a comprehensive theory incorporating these various domains of justice has yet to be developed.

Ethics in Management & Its Impact on Decision-Making:

Management ethics is the ethical treatment of employees, stockholders, owners, and the public by a company. A company, while needing to make a profit, should have good ethics. Employees should be treated well, whether they are employed here or overseas. By being respectful of the environment in the community a company shows good ethics, and good, honest records also show respect to stockholders and owners. Ethics in management refers to the moral standards that determine the actions of a manager in an organization. These moral standards can originate from the manager's own values, or they may be the official policy of the organization. Whatever the reason of their existence, ethics in management have serious effects on the productivity and public image of the organization. The biggest challenge for managers is to understand their importance and keep the balance between a prosperous and popular organization

Benefits

A strong emphasis on the ethos and the appropriate behavior by everyone, from junior level employees to executive members, can have a positive effect on teamwork and the subsequent productivity of the organization. Strong teams, consisting of employees satisfied about their role and ready to contribute to the organization's success, are created on the basis of common values, between them and the managers. In addition, the public image of the organization will be benefited from the management's public commitment to certain values, which will have a positive effect on the consumers' stance against the company.

Effects on Profit

Despite its benefits, management based on ethics is arguably costly for companies. High salaries, a pleasant working environment, benefits for workers and "fair," not only "legal play" in the market, can have a serious financial cost for the organization. Every company tries to minimize costs that go above their legal obligations, so that even if the income is not extraordinary, the profits remain the same. However, managers who have moral -- on top of their legal -- obligations must keep the income on the rise, to balance costs and reach the organization's target for profit.

Impact on Decision Making

With moral values on one hand, and the duty to perform well on the market track on the other, managers have a difficult task in making decisions. Even decisions that other companies would have made, such as reducing the personnel's salary to cover the losses, or taking advantage of a gray area of the law to avoid the costly organized waste disposal, are unacceptable for managers who depend on ethics. In such cases, managers are faced with a dilemma which has seemingly no other solution than putting either the organization's image, or its profitability at stake.

CONCLUSION:

At the end we can conclude such as that consideration and observance of professional ethic can increase the capability of organization's forecasting and same matter causes for authentic, straight and comprehensive confidence of society towards organization. And organization also with reliance to same confidence can be successful in absorbing the financial and credit resources and create constancy and internal motivation in its employees and managers and observes the human specialist resources and achieve strong place in market and control the negative energy arising of ethical difficulties by organizational culture and refinement and remove the behavioral conflicts. Ethical behavior is difficult for any researcher to measure and analyze, especially in real-life situations. Results are often imprecise due to the challenges inherent in quantifying what is ethical and what is not. Much of the work done is theoretical, and involves either creating or applying ethics models. To draw conclusions from ethics research, due to the many variables involved, researchers must rely on judgment 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. Morally questionable acts were made from both executives and traders. One thing that is unavoidable is the fact that employees at Enron were partially paid in stocks which motivated the workers to take actions that were unethical in order to raise the stock price and equivalently their own money. The last point is that a profession which has meta organizational headstock and also effects and results of meta organization and ethical development in organization and ethical elevation of organizational culture not only creates a mirthful and favorite environment for productivity and yield increase but also further of organization it has effective role in society. The health, hygienic and their further "ethical elevation of society" is affected of society's organizations.

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