

Role of ethics in accounting teaching

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Abstract: *Accounting identifies events and transactions that can affect an enterprise, quantifies them, records them, summarizes them, and provides or makes them available to different users. At the same time, it affects the functioning of the business and the culture of entrepreneurship in the entity. Modern business entities currently employ people with different backgrounds in terms of nationality, culture, religion, age, education and socio-economic status. Each of these individuals comes to the workplace with different values, goals and different perceptions of acceptable behavior. This also applies to the profession of an accounting specialist, his ability to identify and deal with an ethical dilemma, given the application of generally accepted accounting principles, the requirements of management and legal norms.*

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1 Introduction

A number of different definitions of accounting can be found in accounting textbooks. Due to the long history of accounting, both the definition of accounting and the profession of an accountant have been changed. The starting impetus for the elaboration of this paper was a proposal to redefine accounting, in which "Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature." and the efforts of the authors (Carnegie, Parker, Tsahuridu, 2021) to make the behavior of professional accountants and their evaluation based on a definition of accounting that fully meets the requirements for accounting of the 21st century. So that accounting is understood and presented by accounting experts in a broader context than just "technical practice".

The aim of the presented paper was to provide a comprehensive view of the profession of an accountant, especially in relation to the high demands placed on the profession in question (ever-changing legislation, the need for a view of the depicted reality in a broader context, perception of the boundary of acceptable and unacceptable behavior, awareness of the consequences and possible consequences arising from a certain action and the resulting possible solutions to the ethical dilemma) and in terms of auxiliary steps to current and future accounting professionals, whose application could, in long term, guarantee the satisfaction of all stakeholders (users of accounting information, investors, management, employees, the public...).

2 Methodology and Data

The starting point was the study of research projects' outputs, which were published in various professional journals in Slovakia and abroad and were devoted to:

- the profession of an accountant, particularly in relation to ethics,
- training of future accounting professionals also in relation to ethics in the profession,
- the opinion of representatives of other professions included under the concept of accounting professional, actively exercising the profession in question on ethics in their field.

3 Results and Discussion

The public, as well as accounting professionals in Slovakia and abroad, understand accounting primarily as a sequence of certain techniques and procedures, where the key question is how to keep accounting. Accounting is understood as a technical practice. However, when we understand accounting in its full essence, and also understand the context in which it operates, examine its impact on the behavior of people in both organizations and society, we find that it must also be understood in the context of its impacts on society, that is, as a social practice (Tсахуриду, Carnegie, 2018).

It was at the end of the 20th and the beginning of the 21st century that a number of negative effects of accounting on society became visible, and the question of its understanding as a moral practice was raised. Questions such as what accounting should do or, conversely, what it should not do came to the fore (Carnegie, Parker, Tсахуриду, 2022).

We live in a century of competition, comparison and evaluation. This moves us forward and is the basis for further development and prosperity. Planned tasks and objectives are expressed in both monetary and natural units and quantified through various indicators. The primary goal of their determination is the positive motivation of employees at all economic levels of the enterprise with the aim of growth and prosperity of the organization. Key performance indicators are adopted, achieved and exceeded. They are both management and reward tools and can have a positive impact on the behaviour of individuals and organisations.

A problem can arise when evaluation managers, based on given "motivational schemes", begin to pay excessive attention to their own measurable personal performance and rewards and "ignore" obligations, commitments and their own responsibility towards business partners, customers or employees (Carnegie, Tсахуриду, 2019).

The primacy of personal interests is only one of the reasons for the unethical behavior of accounting professionals. Balázsiné Farkas, Bélyácz, Kardos, Kása, Szász (2019) further mention:

- loss of objectivity and non-dependence,
- inadequate judgment,
- lack of sensitivity in the perception of ethics,
- incompetent management and deteriorating incorporate culture,
- lack of organisational and impartial support,
- lack of support by professional associations,
- and absence of competencies.

As a rule, the non-application of ethical principles and fraud in the accounting and reporting of data in the financial statements of an enterprise are caused by certain changes in the enterprise itself and market influences on the enterprise (or market expectations towards the enterprise). As a rule, fraud in accounting and in the reporting of data from accounts does not occur through the employment of a group of "dishonest accountants". Fraud occurs following certain influences (pressures) of the environment, in which two signs are present, namely, aggressively demanding the fulfillment of objectives in relation to financial indicators and finding out that the inability to meet them is unforgivable. As a rule, large-scale fraud does not arise on the basis of planned and conscious cooperation with management. The initial need to "hide" certain shortcomings in the performance of the enterprise is followed by further and further "adjustments" of reality, taking advantage of the ambiguity of the legislation.

Perhaps the most well-known case of the long-term unsustainability of a company's fraudulent behavior based on gross violations of basic accounting principles was the bankruptcy of energy giant Enron, which at one time went down in history as the largest corporate bankruptcy in U.S. history. The scandal and the collapse of the company caused a shock on Wall Street and started a wave of similar giant bankruptcies. Enron's collapse has left thousands of people out of work and wiped out shareholders' fortunes worth more

than \$60 billion. Those who have not sufficiently allocated the resources of their pension plans have also lost money for retirement. Thus, more than two billion dollars have disappeared from pension accounts. Enron shares have dropped from more than \$90 per share below one dollar in a year. To this day, Enron's accounting fraud is cited as a reminder of unethical conduct of giant proportions.

In this context, Carnegie and Tsahuridu, "aware of the importance of accounting and professional accountants for organizational and social functioning and development", proposed that the accounting profession should have a role, and indeed a duty, to develop and apply a more comprehensive and balanced orientation for measurement and reporting, such as the framework of the International Council for Integrated Reporting (IIRC). The service of professional accountants to the public interest, especially where emerging organisational behaviour is at least questionable, requires ethical guidance on the part of professional accountants and their professional organisations (Carnegie, Tsahuridu, 2019).

Shaping ethical culture as part of corporate culture in organizations

The ethical culture of the organization should also be a natural part of the corporate culture. Creating and maintaining a strong ethical culture is fundamental to the functioning of an organization, supporting people who make the right and ethical decisions. If all relevant organizational systems put "pressure" on people in the same ethical direction, ethical failure will be less likely. In this regard, a number of significant benefits that a strong ethical culture can provide an organization could be noted:

- higher job satisfaction of employees,
- reduced burnout of employees,
- reducing illegal activity and increasing moral behavior,
- improved performance of the organization (Graham, Harvey, Popadak and Rajgopal, 2017).

Research on the roles and functions of business ethics is focused primarily on large enterprises, despite the fact that small and medium-sized enterprises have a significant impact on the economy of each country, especially on rapidly changing and growing competitive global markets (Naidoo, Perumal and Moodley, 2009). Small and medium-sized enterprises seem to be outside the interest of research in the field of business ethics. While for many large enterprises the application of ethical standards is becoming a tool for gaining a reputation, the progress of small and medium-sized enterprises in developed countries in the field of ethics is achieved by gradually gaining the trust of employees, customers, suppliers and society as a whole. In small and medium-sized enterprises in developed countries, there is a growing demand for a better understanding of business ethics and its benefits, as well as awareness in the field. For these enterprises, it is necessary to have their own ethical policy with daily application in practice. If these enterprises want to remain competitive management must behave ethically while defending the interests of their own company. Accounting professionals who, by virtue of their profession (accountants, tax advisors...), come into contact with the above-mentioned companies (small and medium-sized enterprises) are exposed to ethical challenges. The collective of authors Balázsiné Farkas, Bélyácz, Kardos, Kása, Szász, (2019) was interested in the question of the possibility of simultaneously promoting business success and ethical behavior. Based on the results of their own empirical research, the authors state that the existence of a relationship can be established between ethics, perception of ethical behavior and ethical behavior of the individual, which affects the service of the public interest. At the same time, these factors have an impact on ethics in the professional and work environment. It is in the interest of the profession of an accountant that future accounting professionals are also educated in the field of ethics.

Can ethics in accountancy be learned, is it a trait inherent in a person? Loeb (1988) proposes seven goals that should be set within the framework of teaching ethics in accounting:

- to link accounting teaching with moral questions,
- know those problems in accounting that have ethical implications,

- develop the meaning of moral obligation or responsibility,
- create that ability that is necessary to solve an ethical conflict or dilemma
- learn to deal with the uncertainties of the accounting profession
- perceive the phases of changes in ethical behavior
- to appreciate and understand the history of all aspects and the composition of accounting ethics, respectively, their connection with the general rules of ethics.

Teaching of ethical behavior can take place within the framework of both structured education and further personal education. At the first level of university studies in accounting, for example, as part of professional subjects, and at the second level of study as a separate subject. Graham (2012) states that in practice, the approach used may be heavily dependent upon resource and logistical constraints at the institution concerned.

Ethics of an accountant - a subject of education in the field of accounting

Accounting in the 21st century needs to be taught in such a way that only questions such as - what is the correct answer or what is the correct result - are not essential for students. Accounting should be studied and evaluated by students in the context in which it works (Carnegie, Parker, Tshuridu, 2022). They should understand that providing accounting information for making decisions is one of the most important accounting functions. In order for the information to be relevant to users in accordance with the performance of accounting functions, it is necessary that it meets the basic quality characteristics that are required by accounting legislation. They shall be comprehensible, comparable and reliable. According to the Accounting Act, the information in the statement of finances is supposed to be useful to the user, being considered for the materiality of the information. This is evaluated according to whether its non-disclosure or its erroneous disclosure in the financial statements could affect the user's judgment or decision-making. Within the framework of current accounting and preparation of financial statements, the entity uses work procedures to achieve the specified goal. Their choice is influenced by compliance with accounting principles (Juhászová, Máziková, Pakšiová, Kadlečíková, 2021).

The current accounting legislation in the Slovak Republic, in particular the legislation of financial statements, is influenced by international regulations. These are more based on principles than rules (Hvožďarová, 2016).

The more the legislative regulation contains principles on the basis of which rules must be established, the more scope for subjective decision-making it gives the executive accountant and, conversely, accounting based on strict, binding and unambiguous rules provides almost no scope for applying the subjective opinion of the accountant. In the first case, when creating a set of internal rules, the accountant (as a rule) consciously applies specific decision-making criteria. Depending on how the interests of the entity - owners, management and accountant - are reconciled with the public interest, either the application or disregard of ethical principles on the part of the accountant occurs. Hvožďarová (2007) states that "three types of accountants can be established:

- an accounting officer fully identified with generally accepted accounting principles,
- the accountant makes use of legal regulatory options and thus partially violates the principle of a fair and truthful representation in favor of the entity,
- an accountant who willingly goes beyond the limits of legislation and knowingly misrepresents the financial statements according to management instructions."

Ebaid, I.E.-S. (2022) states that there are two conflicting views on the teaching of ethics in teaching of accounting at universities „One view suggests that it is possible to teach ethics in the university. Proponents of teaching ethics in accounting education believe that there are potentials to influence the thinking of accounting graduates before they enter the accounting profession. Accounting academics can influence the ethical thinking of the accounting profession by designing ethics education interventions that will be beneficial to accounting students in integrating ethical rules into the decisionmaking process." „Educators should, therefore, ensure that active learning strategies are adopted in teaching ethics because they provide the best medium for communicating ethical instructions and enhancing ethical decision-making" (Okougbo and Okike, 2021). „Emotion should be

introduced into accounting education and in particular emotional commitment to other individuals should be encouraged" (McPhail, 2001).

In our opinion, it is necessary, that an integral part of the process of teaching accounting in the 21st century, should be case studies compiled on the basis of current cases based on practice.

Compared to an accountant who provides his services to an entity as an employee or service contractor and is dependent on the entity or the management of the entity, the auditor should be independent of the entity and express an opinion on the financial statements and the annual report, primarily in the public interest. Like teaching accounting, auditing teaching needs to be supplemented with case studies focused on auditor ethics and to familiarize students with national or transnational ethics. To make future auditors aware that the financial statements do not contain material errors and misstatements should be a guarantee of security for entities entering into a relationship with the audited entity.

Conclusions

From the numerous cases of ignoring moral principles in the causes of societies that led to their collapse, two very important lessons can be drawn:

- the massive corporate bankruptcies of these companies were accompanied by much higher personal, corporate and social losses than the "rewards, benefits and profits" of the fraud of the persons and companies involved
- there has been a failure of the control mechanisms that were supposed to serve to protect the public interest.

Therefore, first of all, it is necessary to focus attention already in the teaching of accounting on the application of moral principles in the work of accountants. Similarly, in the pedagogical process of teaching auditing as an important controlling element in protecting users of information from financial statements. Current and future accountants "need to appreciate and understand the effects of accounting on organizations, people and nature" (Carnegie, Parker, Tsahuridu, 2022) and at the same time understand that "an ethical approach to solving problems in accounting is beneficial to all parties involved, because through the application of ethical principles, the correspondence of narrow corporate interests with the public interest is optimized" (Hvožďarová, 2007).

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