

## EVALUATION OF THE CONCEPT OF ETHICS IN TERMS OF ACCOUNTING PROFESSION AND PROFESSIONAL MEMBERS<sup>1</sup>

### ETİK KAVRAMININ MUHASEBE MESLEĞİ VE MESLEK MENSUPLARI AÇISINDAN DEĞERLENDİRİLMESİ

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#### ÖZET

Etik, doğru ile yanlış birbirinden ayıran ve doğru olanı tercih eden davranış biçimidir. Ahlaklı davranış ise, toplumda güzel ve doğru olarak algılanan bazı kurallara uygun davranış şeklidir.

Muhasebede etik, kanunlara uygun işlemlerin yanı sıra toplumun güncel değer yargılarını da dikkate alarak güvenilir bilgilerin sunulması için uyulması gereken kurallar bütünü şeklinde ifade edilebilmektedir. Muhasebe meslek mensupları tüm bu hizmetleri sunarken, sorumluluk sahibi, güvenilirliğini kanıtlamış, doğru ve tarafsız olma özelliklerine sahip kişiler olmalıdırlar. Bu çalışmada etik kavramının, muhasebe mesleği ve muhasebe meslek mensupları açısından incelenmesi yapılmıştır.

**Anahtar Kelimeler:** Etik, Muhasebe Eğitimi, Muhasebe Eğitiminde Etik.

#### ABSTRACT

Ethics is a form of behavior that distinguishes between right and wrong and prefers what is right. On the other hand, moral behavior is a form of behavior that complies with specific rules perceived as good and correct in society.

Ethics in accounting can be expressed as a set of rules that must be followed to present reliable information, considering the current value judgments of society and legal transactions. While providing all these services, professional accountants must be responsible, proven reliable, accurate, and impartial. In this study, the concept of ethics was examined from the perspective of the accounting profession and accounting professionals.

**Keywords:** Ethics, Accounting Education, Ethics in Accounting Education.

#### INTRODUCTION

The rapid development of information and communication technologies has brought about many problems, affecting societies socially and economically. Today, it is seen that ethical principles and rules still need to be fully established and implemented in societies in which economies are developing and in transition. In such societies, lack of trust in institutions and systems is the most critical problem (Müslümov-Aras, 2002). The importance of the concept of

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ethics has increased recently, and the ethical values and principles of various professional chambers and organizations have been published.

Ethics is all the moral principles that humans put forward in their behavior. Ethics are the personal criteria people use to distinguish between right and wrong (Kutlu, 2008).

Professional ethics consists of principles and rules regarding the profession and what is right and wrong, just and unfair. It is a set of principles and rules created to universally moralize the behavior and attitudes of members of the profession for all professions, regardless of the structure of societies.

From the past to the present, the accounting profession has been on the agenda, especially with its technical and specialized dimension, and its professional ethics dimension has remained in the background. Ethics in the accounting profession has been on the agenda since 1980, and especially after the economic crisis, the frequent involvement of the profession in corruption has caused professional ethics to be questioned. Since the accounting profession is constantly confronted with moral problems, accountants must strictly adhere to ethical rules because the profession's prestige is directly proportional to their dependence on ethical rules (Türk, 2004).

While performing accounting practices, a professional accountant must act with social responsibility awareness and adopt the ethical principles required by the profession. The main reason is that the professional accountant is responsible for the business where he carries out his accounting activities and for all segments of society due to the information he provides in financial reports. Accounting professional ethics has recently undergone remarkable changes, with the fundamental principles remaining the same and the results of applying the principles still in flux.

## **ACCOUNTING PROFESSION AND ETHICS**

Accounting is a system that systematically records, classifies, summarizes, analyzes, and reports business financial transactions. This way, it provides the necessary information to users at the desired time (Kaygusuz et al., 2012).

Today, the rapid change and development in information and communication technologies have affected societies economically, socially, and politically and have brought many problems. In the relevant change phase, it is essential to carry out the work according to certain principles and rules, develop the majority of society's feelings about trust, and prevent victimizing. Ethical behavior displays moral behavior by distinguishing between right and wrong and choosing the right one. Moral behavior can be defined as behavior that follows specific rules that are perceived as good, beautiful, and correct in the eyes of society. The way these rules are perceived may differ from person to person. For this reason, the most crucial element in ensuring the peace of society is the rule of law. In this context, it is necessary to accept that the principles of professional behavior are more inclusive than the laws (Tunçez et al., 2022).

Accounting is a system that is necessary for all businesses. Accounting and its system have become even more critical for today's businesses, where competition is high and their activities become increasingly complex. Accounting monitors the value movements occurring in all business functions and presents the information it produces to the parties related to the business (Lazol, 2011).

During accounting practices, different problems, such as disagreements and professional problems, arise during the decision-making process. Professional ethics play a vital role in

solving these problems. Accounting professional ethics means serving customers, society, and all parties with ethical behavior. While providing all these services, professionals must be responsible, proven reliable, accurate, and impartial.

The accounting profession is a profession that has an ethical dimension and demands professionalism based on social responsibility. Accounting rules, laws, and procedures include moral instructions. These instructions inform members of the profession about how they should behave intellectually and morally. Therefore, the accounting profession should be defined not only as a profession with a technical dimension but also as a profession with a moral dimension (Türk, 2004).

The first condition for building trust and ensuring optimum efficiency in accounting is to master the ethical obligation. Along with high-level technology and equipment, trust also increases the profession's importance. In this respect, it is necessary to train personnel to adopt a level of awareness and ethical elements in the field of social obligation. The fact that the perception of social obligation is among the leading elements in the accounting field shows that these data are perceived.

As a result of globalization and developments in information technologies, there have been some changes in the accounting profession group, and it is seen that international interest in the information created in the field of accounting has increased (Tugay-Ömürbek, 2014). Although vocational education also plays a significant role, these competencies must be addressed within the scope of professional standards in preparing accountants for a highly productive working life and developing their professional equipment (Civan- Yıldız, 2003).

Ethics is the branch of philosophy that deals with decision-making dynamics regarding right and wrong (Fouka-Mantzorou, 2011).

Professional ethics refers to acting according to moral and professional principles when carrying out professional activities. This discipline is a set of professional principles and rules created, implemented, and protected by a particular professional group. These principles and rules are universal, as are the rules of conduct of the professional group (Alagöz et al., 2007).

Members of the profession should not take sides and keep themselves away from conflicts of interest while fulfilling their professional responsibilities. Members of the profession should maintain their independence in the auditing and approval processes they carry out and should not have any conflicts of interest with the business they serve. While all professions have their own rules, it is essential to continuously enhance your knowledge and skills to meet the obligations of that profession. The knowledge level and ability of the person practicing the profession are crucial for the advancement of the profession and for maximizing the benefits.

The accounting profession is a profession that has a moral dimension and is based on social responsibility. Professional accountants should act morally by fulfilling the necessity of having social responsibility by understanding the rights of society and the importance of their profession. Therefore, in acquiring a profession, future accounting professionals should be taught not only technical knowledge but also the moral structure of the accounting profession in detail. Thus, accounting professionals will be able to comprehend their powers and responsibilities better and develop their ability to make moral decisions and act morally. The moral education that accounting professionals receive during their education will have a positive impact on their ability to act morally and make moral decisions (Yüksel, 2001).

## **MORAL THEORIES AND THEIR APPLICATION TO THE ACCOUNTING PROFESSION**

Moral theories should be perceived as tools for understanding complex situations rather than recommendations for action. Therefore, it is necessary to relate moral theories to accounting to provide a better understanding of ethics in the accounting profession and the solution of accounting ethical problems from a moral point of view. We can classify the relationship between moral theories and accounting into three groups. These are (Toraman-Akcan, 2003):

### **Utilitarianism Theory and Accounting**

According to utilitarianism theory, behaviors that increase the welfare of individuals are considered moral. Utilitarianism provides theoretical protection for accounting and its methods. Utilitarianism in accounting theory and methods is an essential element in the debate on the neutrality of accounting information. According to proponents of the neutrality of accounting information, accountants should report unbiased information that users can use in their decisions. Some radical accountants question whether accounting information can be neutral. According to them, since accounting is socially embedded, accounting theories and methods will inevitably favor one side over the other in situations of social conflict. In this context, accounting concepts must be considered neutral or ethically correct, regardless of their utilitarian roots.

### **Rights Theory and Accounting**

The rights perspective underpins much of the regulation in accounting. In the accounting profession, a sense of duty requires an auditor to put his or her doubts about the ability of a business to continue to operate above any public interest. The economic and moral view underlying accounting practices merges with the individualistic rights view of human nature and development. The autonomy and competitiveness features of rights and justice theories encompass auditor independence considerations. Likewise, the autonomy and competitiveness features of rights and justice theories have led to the assumption underlying agency theory that conflict and competition between owners and managers are the central themes of business life (Reiter, 1997).

### **Virtue Theory and Accounting**

Virtue enables accountants to resist the demands of their clients and the commercial pressures that may arise from dilemmas between obedience to the client or employer and considerations of the public interest. The virtues that accountants possess will help them fulfill their moral and professional responsibilities to society by acting according to a moral point of view and resisting various pressures. Some of these virtues are as follows (Mintz, 1995):

- Self-sacrifice and benevolence
- Honesty and integrity
- Impartiality and open-mindedness
- Reliability and independence
- Loyalty and commitment.

## ETHICS IN ACCOUNTING PROFESSIONALS

Professional ethics is a set of professional principles and rules created, implemented, and protected by a particular professional group. These principles and rules are universal, as are the rules of conduct of the professional group. All over the world, people in the same profession are expected to follow these rules. This way, colleagues act according to specific behavioral patterns in their mutual relations.

Complying with ethical rules is of greater importance within the accounting profession. In order to be a respected and reliable accountant, it is necessary to comply with ethical rules. Accounting professional ethics can be defined as the set of rules that must be followed in relations with relevant professional organizations and in cases where professional activities are carried out or cannot be carried out for some reason by the law and by giving importance to society's value judgments (Daştan et al., 2015).

Professional accountants play an important role in preparing financial statements promptly and accurately. The information contained in the financial statements is essential to decision-making for investors, managers, and senior executives. In this context, ethics in accounting requires that financial statements provide benefits for internal (managers, partners, and employees) and external users of financial information (such as the government, credit institutions, investors, and consumers) to facilitate financial decision-making processes. Society expects professional accountants to comply with ethical standards and ensure that timely, accurate, and reliable information is provided to users of financial information (Jaijairam, 2017).

The economic activity occurring in businesses must be recorded regularly, and the information in the financial statements prepared based on these records must reflect reality. Otherwise, it will shake society's confidence in economic life, affect the country's economic structure, and, most importantly, damage its confidence in the profession. For this reason, the best way to better explain the effectiveness of the accounting profession to society is to carry out the profession reasonably and dynamically within the scope of professional ethical rules.

As in every professional group, accountants must comply with professional and general ethical rules while performing their duties. Professional ethics is a susceptible and essential issue, especially for accountants. Because accountants have different responsibilities for different interest groups, the interests and wishes of these groups may sometimes go in different directions. Therefore, accountants should act within the framework of professional ethics rules while fulfilling their responsibilities towards different groups and balancing interest groups.

Professional accountants should always consider the benefit of society during their professional activities. In order to ensure unity in practice and increase the perception of professional ethics, principles and rules of professional ethics accepted by professional accountants have been established.

Ethical values are essential for those who practice the profession and society. Therefore, members of the profession must practice accounting not only according to specific patterns but also by considering the interests of society. In the accounting profession, members assume specific responsibilities while practicing the profession. These are the responsibilities of the state and society, taxpayers, business owners, and other professionals. It is essential for the reliability of the profession that members of the profession comply with these responsibilities by adhering to the laws and regulations.

Accounting and auditing scandals that have emerged worldwide have led to increased responsibility, especially for the accounting profession and its members. As in other areas of business life, professional ethical rules should be adopted and implemented to increase public trust in the accounting profession and its members.

The characteristics that professional accountants should have are as follows (Uyar, 2005):

**Independence:** A professional's ability to report results impartially and fairly without pressure. The accountant should control the accounts, prepare reports, make comments, and express opinions according to the principle of independence.

**Impartiality:** Easier access to global capital markets has increased the mobility of interest groups. For this reason, professional accountants must adhere to the principle of impartiality. In order to ensure that the business activities are reliable and healthy, it should evaluate the results of its activities within the legislative framework and present the current situation to the relevant parties in an impartial manner. In other words, a professional member should strike a balance between the relevant persons and institutions.

**Public Interest:** Those who practice the profession take action to benefit the public without going beyond the safe perception of the public and show commitment in this field, etc., obligations must be fulfilled. Employees within this scope must act as if they are equipped and foresee providing benefits for the public and protecting their dignity in this field.

**Reliability:** For management to make the right decisions, accounting information must be reliable and accurate. In order to make the right management decisions, the information obtained from accounting must be complete and reliable. The presence of trust in himself as a member of the profession will allow him to continue his success in his professional life.

**Competence:** It brings the responsibility of having the professional knowledge and skills necessary to provide an effective service to customers or employers and to act diligently according to technical and professional standards while providing services.

**Honesty:** Accounting is a service unit that aims to benefit the public. In this sense, those who carry out the duty must avoid misleading the public. In the accounting task, it is necessary to proceed honestly with activities that include safety.

**Responsibility:** Responsibilities for individuals and businesses within the scope are mentioned. In addition, obligations for the independent auditor, taxpayer, internal auditor, employer, and the public are mentioned.

**Professional Care:** Professionals should be quick to get support in case of deficiencies by displaying an attitude suitable for technical and moral criteria. In case of a possible conflict, it is necessary to examine all the criteria in detail, eliminate the inadequacies through qualified employees, and minimize all the problems arising in this direction.

The responsibilities of professional accountants are as follows (Türk, 2004):

**1-Legal Liability:** It is the responsibility of the business and its partners. It is the general legal liability towards partners and other users of financial information.

**2-Moral Responsibility:** The profession and colleagues must comply with the written or unwritten potentially prohibited rules of the accounting group of which one is a member.

**3-Social Responsibility:** Using accuracy, honesty, due care, and talent in all work. The professional is not legally responsible but is liable to any person who believes in the nature and quality of the accountant's work.

## CONCLUSION

In social life, moral norms generally concern all individuals within society. Ethics is also evaluated as a concept based on social structure and profession. Professional ethics is also known as integrating ethical perception into the professional field.

Ethics is all the values that help individuals or groups understand right and wrong and direct them to behave accordingly. In today's world, where borders have disappeared, the accounting profession, a field where financial information is obtained and audited, is a vital profession that can influence individuals' and institutions' economic decisions and behaviors. Professional accountants must strictly adhere to the principles of professional ethics, such as honesty, impartiality, responsibility, confidentiality, and reliability.

Ethics in accounting can be expressed as a set of rules that must be followed to present reliable information, considering the current value judgments of society and legal transactions. While providing all these services, professional accountants must be responsible, proven reliable, accurate, and impartial.

Professional ethics and education in the accounting profession are critical to protecting the reputation of the profession. Although the accounting profession is qualitatively essential, the structure of the profession requires ethical achievements.

The accounting profession is one of the professions that observes the public interest. For this reason, professional members should avoid behaviors aimed at deceiving the public. The honest behavior of the profession's members will effectively increase the public's trust in the accounting profession.

Professional accountants must comply with ethical rules to increase the profession's value and ensure social trust. Professional accountants who are responsible for society should be conscious of ethics. In this way, they can fulfill their responsibilities towards society in business.

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