Ethics in accounting and good governance

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Abstract: Ethics is considered as an inquiry into the goal of decent human behaviour, sometimes as a direction to the real moral laws or precepts of conduct. The source of ethical problems in the workplace is a circumstance in which a person or group must choose between two possibilities, where the decision is not always clear-cut. Accounting as a function of conveying the end result of organisation to various users, act as one of the relevant activities to ensure good governance. Since accounting provides useful information about the company’s position and performance in the form of financial statements, ratios, financial statements analysis, annual reports to various users who may be internal as well as external may perceive this information in their own way and any discrepancy and distortion in the accounting information adversely affect the different users and in long term led to the collapse of business organisation. The papers focus on the ethical issues related to accounting and discusses about good governance.

Keywords: Ethics, accounting, good governance

Introduction
The good or "really good" of man in action and how to pursue it. Both perspectives are well-known and will be thoroughly addressed, but the former has a greater influence on contemporary ethical theory and is generally simpler to integrate into contemporary ethical systems. The goal of ethics is to organise and clarify the apparent perceptions that the majority of individuals have of what is proper or decent behaviour. As a result, knowledge of the end is sought in order to determine what behaviours are appropriate for reaching it. For the good explored in ethics is confined to good that is at least partially achievable by human endeavour.

The accounting profession must uphold transparency and deliver accurate financial reporting in the information era and commercial world we now live in. Accountants must keep the highest levels of ethical responsibility since they are accountable for generating accurate, clear, and timely financial reports. However, it is not always guaranteed that accounting experts would act ethically. A study of accounting ethics is necessary since it is a crucial component of the jobs of auditors and accountants in the creation of financial statements and because handling a company’s finances is sensitive. Ethics is not definable, is not implantable, because it is not conscious, it involves not only our thinking but also our feeling (Valdemar W Setzer). The term "ethics" typically refers to morals or a code system that strongly provides the criteria for differentiating between wrong and right (Banerjee & Ercetin, 2014). Ethical behaviour is doing what is best in enhancing the trust and confidence between two entities so that both the entities feel energizes and enthused to work towards the betterment of the common goal. Ethical integrity is the core of long-term sustainability of any professional body or any organisation. All the professionals in organisations functions through the human resource and the human resource need to be humane that is they should follow ethical and moral code of conduct for good governance in any organization.

Financial statements that are produced independently and in accordance with the necessary ethical standards reduce errors and produce accurate data for the users of financial statements (Slice & Stice, 2012). Users of financial statements depend on the accuracy, fairness, and truthfulness of the information presented in them, as well as the auditors' assessments of whether the figures accurately reflect the company's fair worth (Ronen, 2008).

Ethics, in the words of Johannes Brinkman (2002), is the field that examines issues pertaining to virtue and vice, right and wrong, and good and evil. In order to analyse moral principles, human behaviour, and efforts to discriminate between good and wrong, ethics is utilised. The establishment of ethical norms within firms can ensure the accuracy of financial and business procedures, which in turn has an impact on employee relationships, performance, and the company's credibility.

The purpose of ethics in business is to direct business men and women to abide by a code of conduct that facilitates, if not encourages, public confidence in their products and services. It also talks about sustainable development. Sustainability is an economic state where the demand placed upon the environment by people and commerce can be met without reducing the capacity of the environment to provide for future generations. It is the quality of human life while living within the carrying capacity of supporting eco-systems. Sustainable development consists of balancing local and global efforts to meet basic human needs without destroying or degrading the natural environment. In the accounting field, the AICPA maintains and enforces a code of professional conduct for public accountants. The Institute of Management Accountants (IMA) and the Institute of Internal Auditors (IIA) also maintain a code of ethics. Professional accounting organizations recognize the accounting profession's responsibility to provide ethical guidelines to its members.

It is currently difficult to determine if the company culture or the individual accountants' or auditors' perspectives on ethics have a greater impact on the ethical practises of accounting professionals. It is challenging to identify the true driving force behind accounting ethics among professionals and to comprehend what motivates them to uphold and conduct ethical behaviour in their roles. It is also critical to remember that the accounting profession's ethical standards go beyond simple compliance. Either an individual's mindset or the culture of the company must reflect it.
The American Institute of Certified Public Accountants (AICPA) established the Trueblood Committee as a study committee in 1972 to create the Purpose of Financial Statements.

The committee's objective was to assist accountants in producing financial statements that gave external users enough knowledge to assess the economics of businesses. The Trueblood Committee's primary goals were adopted by the Financial Accounting Standards Board (FASB) in 1978. The Robert M. Trueblood Committee was given that name after its chairman.

Prior to the formation of the Trueblood Committee, many accountants were perplexed and dissatisfied with the current objectives, thus the AICPA started looking for new financial statement objectives. The Trueblood Committee was established with the aim of identifying the goals for financial reporting. The committee's task was to formulate the objectives in a manner that would make them simpler for accountants to comprehend and more applicable to their line of work.

The two main ideas that may be drawn from the Trueblood Committee's findings are:

- Financial statements' primary goal is to give external users the knowledge they need to make decisions about a company.
- The management of a company oversees efficiently using resources to generate the most profits.

**Requirement of ethics**

- In order to make ethics work in an organization it is important that there is synergy between vision statement, mission statement, core values, general business principles and code of ethics.
- Measured by wealth and power men achieved success, at least temporarily. Making a lot of money may be an acceptable goal, but money most assuredly does not guarantee a truly successful life.
- Many people think of fame and fortune when they measure success. However, at some point in life, most people come to realize that inner peace and soul-deep satisfaction come not from fame and fortune, but having lived a life based on integrity and noble character. "A good name is more desirable than great riches; to be esteemed is better than silver or gold.”
- In the final analysis, living an honourable life really is more satisfying than fame and fortune.
- When societal values are deteriorating, maintaining high ethical standards in accounting and business grows increasingly difficult. People will undoubtedly ask, If everyone else is cheating, then how can an ethical person possibly succeed? Nevertheless, the real question is, how does one measure success?
- The main reason for having ethical guidelines is not to provide a cookbook solution to every practice-related problem, but to aid in the decision-making process for situations that involve ethical questions. Business persons will encounter novel situations in their jobs and will need ethical guidelines to handle them effectively. Ethics codes are necessary to provide such guidance.
- This also expedites a better relation between business and the society. It reconciles conflicting interest of various sections of the society such as workers, shareholders, consumers, distributors, suppliers, competitors, and government.

**Ethics in Accounting**

Applied ethics, which heavily stresses business and human ethics, judgments, and moral principles, and their application in accountancy, is the major term for ethics in accounting. A proper practise and a high professional standard serve as accounting’s two main ethical pillars.

Accounting ethics is primarily a field of applied ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics; Luca Pacioli, the “Father of Accounting”, wrote on accounting ethics in his first book *Summa de arithmetica, geometria, proportioni, et proportionalita*, published in 1494 and later expanded by government groups, professional organizations, and independent companies. These various groups have led accountants to follow several codes of ethics to perform their duties in a professional work environment. Accountants must follow the code of ethics set out by the professional body of which they are a member. Due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the accounting profession. These collapses have resulted in a widespread disregard for the reputation of the accounting profession. To combat the criticism and prevent fraudulent accounting, various accounting organizations and governments have developed regulations and remedies for improved ethics among the accounting profession.

**Governance**

The Latin and Greek roots of the English word governance indicate that it originally meant manipulation, control, and direction. Its usage was mostly reserved for administrative and political actions connected to domestic public affairs, and its meaning had long overlapped with that of the word government.

The commission on Global Governance defined governance as the "total of the myriad ways individuals and institutions, public and private, manage their common affairs" in its 1995 study report Our Global Neighbourhood. It is an ongoing process that enables varied or competing interests to be considered and cooperative action to be done. The process of governance is not based on control but rather on coordination, it involves both the public and private sectors, and it is not a formal institution but rather ongoing interaction. It includes formal institutions and regimes empowered to enforce compliance as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.

Global Bank. The way in which authority is used to manage a nation's social and economic resources is referred to as governance. In order to manage a nation's economic and social resources for development, the World Bank has identified three distinct aspects of governance: (i) the type of political regime; (ii) the method by which authority is exercised; and (iii) the capability of governments to create, formulate, and carry out policies.

UNDP. The management of a country's affairs at all levels is considered as the exercise of economic, political, and administrative authority. It consists of the structures, procedures, and mechanisms that allow individuals and organisations to express their interests, assert their legal rights, fulfil their obligations, and resolve their conflicts.
We can infer from the definitions of governance that it primarily refers to the use of power to uphold order and provide for the needs of the public within a specific range. In order to maximise the public interest, governance's goal is to direct, control, and regulate citizen behaviour through the influence of various systems and relationships. A stable, accountable, efficient, and successful state government is implemented, in accordance with Sedarmyanti (2009), by sustaining positive interactions between the public, private, and non-profit spheres. In order to be a practitioner of good governance, the goodness must come from the inner consciousness, and, unless inner consciousness is integral to goodness, good governance would never come. Strong development management and reforms to governmental institutions are examples of good governance (Weiss, 2000).

The concept of good governance is applicable to all spheres of society, including the executive, legislative, judicial, media, private, corporate, cooperative, and trust organisations with valid registrations under the Societies Registration Act, as well as organisations like trade unions and non-governmental organisations (NGOs). It ensures that corruption is reduced, minorities' opinions are considered, and the voices of the most vulnerable members of society are heard during the decision-making process (Shil, 2008). Considering good governance, a government must create and adhere to the following tenets: professionalism, accountability, transparency, outstanding service, democracy, efficiency, effectiveness, and legal supremacy. According to United Nations Economic and Social Commission for Asia and the Pacific the following guidelines for effective government: 1) Participation, whereby the community participates in decision-making both directly and indirectly through representative institutions that can channel their aspirations; 2) Engagement is based on freedom of association and speech; and the rule of law, which is a just legal system that is applied equally to all; 3) Transparency, which is based on information freedom and allows people who require it to directly access information on public interests; 4) Responsiveness, or the requirement that public institutions respond quickly to the needs of stakeholders; 5) A focus on consensus, where the government looks out for the interests of the larger community; 6) Equity, which guarantees that each member of society has an equal opportunity to pursue welfare and justice; 7) Efficiency and Effectiveness, which calls for the efficient and effective management of public resources; 8) Accountability, which requires the public to hold the government responsible for all actions; 9) Strategic vision, which calls for both the public and government officials to have a long-term perspective.

We can see that there are six components to good governance, which sum up all the different viewpoints.

- **Legitimacy** It describes the condition or quality in which social order and authority are freely acknowledged and obeyed. It does not directly relate to laws and regulations, and from a legal perspective, anything that is lawful is not always legitimate. In political science, only the rules and authority that are accepted by members of a certain organisation are valid. The level of good governance will increase as the degree of legitimacy increases. Maximizing citizen consensus and political identification is the main strategy for attaining and improving legitimacy.

- **Transparency** It alludes to the dissemination of political news. All citizens have a right to knowledge on State policies that pertain to their own interests, including information on legislative activities, policymaking, legal requirements, policy enforcement, administrative budgets, public spending, and other pertinent political data. For individuals to effectively engage in the creation of public policy and oversee the public administration process, transparency necessitates that the aforementioned political information be properly disseminated to them through a variety of media vehicles. The level of good governance will increase as the degree of transparency increases.

- **Accountability** It entails holding each person responsible for their own actions. It specifically refers to the obligations and responsibilities associated with a certain post or institution in public administration. Accountability indicates that executives and administrative organisations must carry out the duties and responsibilities associated with their positions. Their actions indicate dereliction of duty or a lack of accountability if they fail to carry out their legally required responsibilities or obligations or if they do so improperly. In this sense, successful governance necessitates the application of both law and ethics to strengthen individual and institutional accountability.

- **Responsiveness** The previously mentioned idea of accountability is strongly related to the trait of responsiveness. It is an extension of accountability, in a way. They should routinely respond to their queries, clarify their rules to them, and proactively seek counsel when appropriate. The amount of good governance will be higher the more responsive the government is.

- **Effectiveness** The focus is management effectiveness. It has two main definitions: minimal administrative costs and logical administrative structure, scientifically planned administrative procedures, and adaptable administrative activities. Practices that are ineffective or inefficient are inconsistent with good governance. The more effective an administration is, the greater its degree of good governance will be.

- **Rule of Law** Fair legal structures that are applied consistently are necessary for good governance. Additionally, complete protection of human rights, particularly those of minorities, is necessary. A separate judiciary and an unbiased, incorruptible police force are necessary for the impartial enforcement of the law. Fairness and inclusivity the health of a society depends on making sure that each of its members believes they have a stake in it and do not feel marginalised. All groups must, however, have opportunity to enhance or maintain their wellbeing, especially the most vulnerable.

- **Efficiency and effectiveness** When institutions and processes work well together, they yield outcomes that satisfy societal needs while maximising the use of available resources. The efficient use of resources and environmental preservation are also included in the definition of efficiency in the context of good governance.

**Accounting and Good Governance**
Investigating the characteristics of accounting systems and the surrounding institutional context that are crucial to the efficient governance of businesses is a key goal of governance research in accounting.
The foundation of governance research in accounting is the idea that improved corporate governance, which in turn enables the efficient flow of limited human and financial resources to promising investment opportunities, accounts for a sizeable portion of the return on investment in accounting regimes. Designing a system that offers governance value necessitates challenging trade-offs between the accuracy and usefulness of reported accounting data. The importance placed on reporting objective; verifiable results of enterprises is a significant contributor to the governance value of financial accounting information. An emphasis on verifiable results creates a wealth of variables that can support a variety of legally binding contracts and that serve as a foundation for third parties to oversee and rein in insiders' statements and actions (Bushman, 2003). By bridging the gap between insiders and outsiders of a firm through the timely disclosure of accurate information, accountants need to maintain sound corporate governance (Shil 2008).

Conclusion
Since accounting is considered to as a way to guarantee Good Corporate Governance, it is assumed that organisations should adhere to the same global accounting standards. The availability and lower cost of capital, the ability to draw talented customers and business partners, improved competitiveness and financial performance, and genuinely sustainable long-term growth are all advantages that corporations that genuinely understand and uphold the principles of "good governance" will experience. Accounting will be able to tell us how to handle corporate governance, as poor governance typically results from a lack of money and an excess of authority. In order to maintain long-term sustainability in the challenging and shifting business climate of today, good corporate governance is a necessity.

References