

Students:  
Daniela Loghin  
Ivan Constantinov  
Florence Olimpia  
Specialty: Faculty of Accounting  
Supervisor:  
Svetlana Mihaila  
Ph.D., Associate Professor, Academy of Economic Studies of Moldova  
svetlana.mihaila@ase.md

## THE IMPORTANCE OF STUDYING ETHICS AND DEONTOLOGY FOR FUTURE ACCOUNTANTS

**Keywords:** ethics, deontology, accounting profession, morality, integrity.

**Abstract:** The present article emphasizes the importance of studying ethics and deontology for future accountants. It draws attention to the notions of ethics and deontology, which are also the keywords of this work, from several points of view, and explains their essence and necessity in the accounting field. The work emphasizes the need to know these concepts, in order to train the young successful accountant through clear and concise explanations, through schemes and conclusions. Information is found such as the functions of ethics, deontological principles, as well as the consequences of not respecting these moral norms. The most relevant sources and quotations are also mentioned in the article.

### Introduction

We all know that the accountancy profession is the 'building block' of a business, and if it is missing, it crumbles. What's more, accounting has always been at the forefront of the global economy. So, in such a complex and ever-changing financial environment, it is crucial that future accounting professionals familiarise themselves with the principles of ethics and the code of ethics. The purpose of this article, is to outline the indispensability of studying ethics and deontology for future beginning accountants. In order to achieve this goal, objectives have been set such as: to further explore the notion of ethics and deontology, their essence and importance in the professional work of accountants, and the correlation between these two concepts in accounting.

For our research, the methodological tools characteristic of social sciences were used, applying several research methods, such as: analytical method, comparison method, synthesis method, induction method, deduction method, as well as the analysis of literature using Google Scholar search engine.

### Basic content

Ethics is a special field of science that studies behavioural norms, morals and concepts that deal with difficulties arising in the practice of human interaction. A component part of ethics, which manifests itself as an independent component, is professional ethics. It studies the peculiarities of moral activities and relations between professionals in a working environment, laying the foundations of etiquette, distinct rules of communication, norms of conduct and manners of behaviour in society. The economic and legal relationships built up in order to achieve the entity's business purpose, lead to the occurrence of receivables due to the delay in meeting financial obligations on economic goods sold or advances granted.

Among the many notions analysed according to the Explanatory Dictionary, the notion of ethics is "a set of rules by which a human group regulates its behaviour in order to distinguish between what is legitimate and acceptable in achieving its goals" (Explanatory Dictionary of the Romanian Language).

The origin of the term "ethics" and the legal basis of the concept were addressed in her paper by the researcher Popa M. "From an etymological point of view, "ethics" comes from Greek words (Popa, 2006):

- "ethos", which in Homer meant: primordial, homeland, and later, in Greek thought, took on the meaning of: dwelling, meeting place, native place, morals, etc. and,
- "ethike", meaning the science of knowledge. Aristotle used this term to designate virtues linked to customs, experiences accumulated over time. From "ethos" derived the word "ethicos", meaning "of or for morals", used by the Greeks when discussing the principles of human behaviour.

Ethics is regarded as the science of good and evil, of merit and virtue, of pleasure, of the social ideal. Ethics is one of the oldest humanities, and can be considered, in the classical sense, the science of ethos, i.e. the science of morality. Ethics can be considered the science of happiness and virtue.

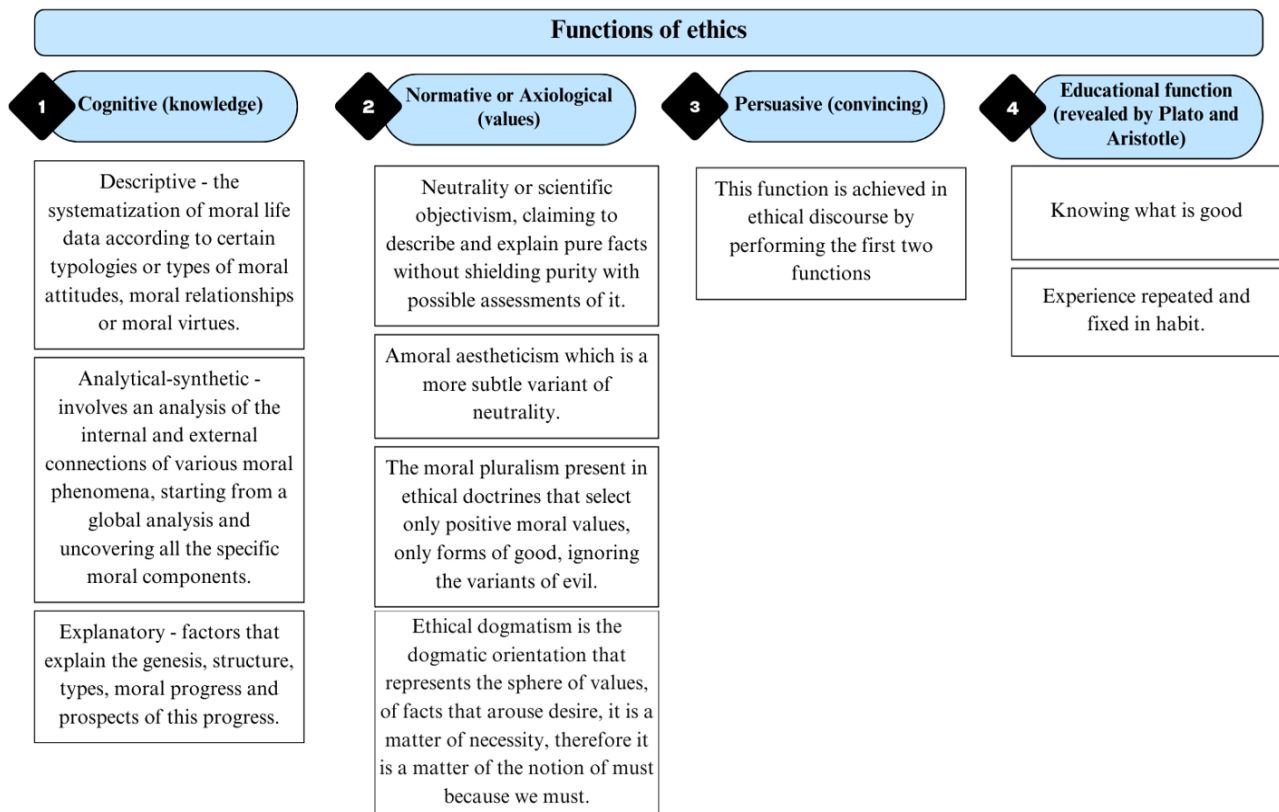
The legal basis for the concept of incorporating ethics into business is supposedly contained in a 1906 US Supreme Court decision, which states that "The corporation (firm) is the creation of the state, and that it is meant to exist for the good of the community" (Popa, 2006).

In a general sense we are looking at several notions of ethics in society, addressed by different authors in their own vision and understanding of the concept. Among which the following definitions have been noted (Dobroţeanu, Dobroţeanu, 2007):

- a) In the modern understanding, ethics is also based on morality, aiming to provide a coherent framework of principles and benchmarks that assist individuals in gaining knowledge and experience in order to make ethical decisions.
- b) Science of evil and good (Socrates, Plato, Cicero).
- c) Science of happiness and virtue (Aristotle).

Through it ethics, in whatever field it is applied, fulfils several functions (Figure 1), that of knowledge (cognitive), normative or axiological (values), persuasion (persuasive) and education. These functions also relate to the field and profession of accountancy.

Figure 1.  
Functions of ethics



Source: developed by the authors based on (Lungu, 2011).

Professional ethics is present in the field of accounting as a result of an increased need in professional frameworks, which through its prism will increase their beneficial influence in the economic life of both a country and a company. The latter being responsible for collecting, classifying, summarising and representing the financial and economic information of business units and making it available to users for decision-making purposes.

The definition of the accounting profession is set out by Thomas and Potdevin. They expose the given work as: „The accounting profession is currently defined as the totality of activities (services) that presuppose knowledge in the field of accounting, the specialists who perform them (render them), as well as their professional bodies” (Lungu, 2011).

This leads us to the conclusion that working in this financially influential sector is impossible without certain economic knowledge and studies. Like the services they provide, their bodies must be distinguished by a high level of responsibility, attention, confidentiality, in addition to a logical, analytical spirit, with a well-defined work ethic.

Accountancy has been noted over time as indispensable for society, especially for entrepreneurs (other people) who wanted a profitable, legal and transparent business, emphasising through these objectives the cognitive and normative function of ethics, necessary for such activity. De facto, these principles of business operation resulted in a vital connection between the field under analysis and ethics, deriving in a working/professional one. Many experts in economics have exposed themselves directly on the fact, including Abbot A. From the perspective of Abbott A. we can trace the social importance that the field of accounting possesses as follows: "Shareholders, investors, creditors, employers, government, etc. rely on accounting professionals for financial accounting, financial reporting, tax advice, effective financial management, etc. The behavior and attitude of accounting professionals in providing these services impacts the economic well-being of the entities in which they operate, the community as well as the country" (Abbott, 1983). The author, distinguishes the high degree of direct proportionality between the economic well-being of an entity as well as, ultimately, of a state and an entire nation.

The accountancy profession is largely controlled through various professional associations and bodies. It has internal tools to implement its code of ethics globally. The unit that manages and sets specific rules on accounting ethics is the I.F.A.C. - International Federation of Accountants, which has the function of establishing coherence between ethics in education and the codes of ethics of the different professional bodies operating in a given geographical area. Integrity, professionalism and transparency are values reflected in the IFAC Code of Ethics for the accountancy profession. IFAC seeks to strengthen the accounting profession's adherence to these values, while at the same time participating in the development of a globally applicable code of ethics for accountants. In this case, the Handbook on the *Code of Ethics for the Accounting Profession cannot be omitted from the presentation of the Council for International Ethical Standards for Accountants, which sets out in detail the ethical principles for work in accounting.*

According to the Handbook of the *Code of Ethics for Professional Accountants, presented by the International Ethics Standards Board for Accountants*, the following features of professional accounting ethics are distinguished: "A distinctive feature of the accounting profession is the assumption of responsibility to act in the public interest. Thus, the responsibility of an accounting professional is not solely to meet the needs of an individual client or employer. In acting in the public interest, an accounting professional must respect and apply this Code. If an accounting professional is prohibited by law or regulation from complying with certain parts of this Code, he or she must comply with all other parts of this Code." (IESBA, 2019). From the beginning, this code warns about the vitality of acting in the public interest and with legal grounds of the worker, then coming in succession the interests of the employer, so nothing can be above the law and the welfare of the people.

This code mentions the basic principles by which an accounting professional should be guided: „An accounting professional should observe the following fundamental principles" (Handbook of International Education Regulations, 2019):

- ✓ **Integrity.** An accountant must abide by the principle of integrity, which requires him to be forthright and honest in all his professional and business dealings.
- ✓ **Objectivity.** An accounting professional must comply with the principle of objectivity, which requires him or her not to compromise professional or business judgment as a result of: subjectivism, conflict of interest, or undue influence or dependence on persons, organizations, technology, or other factors.
- ✓ **Professional competence and due care.** An accountant must comply with the principle of professional competence and due care, which requires him or her to:
  - Acquire and maintain professional knowledge and skills at the level required to ensure that a client or employing entity receives competent professional services based on current technical and professional standards and relevant legislation; and
  - Act with due care and in accordance with applicable technical and professional standards.
- ✓ **Privacy.** An accountant must comply with the principle of confidentiality, which requires him to respect the confidentiality of information acquired as a result of professional and business dealings. An accountant must:
  - Be aware of the possibility of unintentional disclosures of information, including in a social setting, and especially to a close business associate or close or immediate relative;
  - Maintain the confidentiality of information in the employing entity or organisation;
- ✓ **Professional Conduct.** An accounting professional must comply with the principle of professional conduct, which requires him or her to:
  - Comply with relevant laws and regulations;
  - Behave in such a way as to assume the professional responsibility to act in the public interest in all professional activities and business dealings; and
  - Avoid any actions that the accountant knows or should know would bring the profession into disrepute.

The appreciation and the economic and social importance of the ethical code is provided by Cucoşel C., in his publication, stating that "The objectives and fundamental principles are not intended to be used to solve the ethical problems of accounting professionals in a specific case. However, the Code does provide some guidelines for the practical application of the objectives and fundamental principles to the number of typical situations encountered in the accounting profession. The provisions of the Code are intended to protect each accounting professional and third parties, since the Body is the guarantor both for the public of the quality and reliability of the services provided by

chartered accountants and certified accountants and for the members of the Body of healthy and free competition on the market for accounting products and services" (Cucoşel, 2007).

Finally, we believe that the basic principles are not only intended to be used to solve basic problems relating to a number of typical situations encountered in the accountancy profession, but also to protect its interests and those of the employer. The Code of Ethics provides a guideline for professional conduct, it distinguishes a clarity for ethical, qualitative and reliable work, simultaneously creating a healthy environment for the existence of fair and legal business competition.

In addition to the aspects of ethics discussed, deontology also plays an important role. According to the Explanatory Dictionary, the notion of deontology has the following meaning: 'The totality of the rules of conduct and ethical obligations of a profession' (Explanatory Dictionary of the Romanian Language). From another point of view, deontology means a set of norms, rules and principles which have their source in the moral foundations of the individual and which positively influence the entire professional activity of the individual. Analysing the definition of deontology from various sources, we deduce that deontology focuses on the observance of certain norms, rules and principles by various people (accountants, lawyers, etc.).

The deontological aspect differs from one profession to another, depending on the specifics of the activity. In the context of this research we focus on the ethical aspects applied in accounting. Deontology in accounting refers to a set of rules and principles that professional accountants must respect in the practice of their profession.

Accountants have a duty to comply with ethical rules and principles in order to be able to provide their services to a high standard. At the same time, compliance with these principles also influences the accountant's reputation. If the accountant does not respect these rules and principles he will be sanctioned according to national law. If the accountant has violated these rules and principles unintentionally, he/she must inform his/her superior (the Director General) in order to prevent various consequences.

On the basis of the above, we note the correlation between ethics and deontology, which is very close, in that both follow the principle of transparency and integrity of the accounting professional. At the same time, these two concepts differ to some extent from each other. Deontology outlines the formal framework, as well as the concrete rules imposed by the organisation, to which the young accountant must be guided in order to deal effectively with a possible ethical problem. On the other hand, ethics is not so narrow, it lays the foundation for moral rules and standards by establishing much broader principles or values that underpin deontology. For example, values such as responsibility, honesty, integrity, etc., are ethical aspects that every accountant should be guided by in his or her professional and private life. This only becomes possible if the person has a strong sense of values and is as aware as possible of the consequences of not respecting moral rules. In the context of accounting, morality

is one of the key factors contributing to maintaining an accountant's image of integrity and professionalism. So, studying these concepts will not only raise the status of the individual, but also of the firm itself.

### **Conclusions**

Following the study made above, we have concluded that in order to train the future professional accountant, the basic pivot is the code of ethics or the code of ethics, because, by studying them, it is ensured the development of specialists in the field, specialists of integrity, responsible, honest, who will make a valuable contribution to the firm and society. We have also observed the interconnectedness of these two concepts in the field and have deduced that in addition to extensive technical knowledge, it is crucial to respect ethical standards. Assuring the prosperity of the financial market, we assert that the study of ethics and deontology underpins a successful career in accounting.

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