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## **Editorial**

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### **L. Murphy Smith**

The foundation of a profession rests on three supports, as follows: a generally accepted body of knowledge, a widely recognised standard of attainment, and an enforceable code of ethics. Without an enforced ethics code, a profession cannot exist. Major accounting professional organisations have ethics codes, as do most major business firms. These ethics codes designate the essential ethical values that accounting professionals must follow, such as integrity, honesty, independence, objectivity, fairness, and pursuit of excellence. Strict adherence to these ethical values is essential, if accountants are to maintain and engender trust from society.

Examples of ethics codes for accounting professional organisations can be found at the websites of the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA). The IFAC ethics committee develops ethical standards and other pronouncements for use by professional accountants. Regarding the AICPA ethics code, its first principle states: "In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities". Being able to make moral judgments is essential for a professional, so that he or she can consider the welfare of those affected by his or her actions.

Business activity depends on mutual trust among people in a society. Financial debacles and questionable accounting practices have recently been in the news regarding major multinational companies such as USA-based Enron, WorldCom, and Tyco. In addition, fraud and financial scandals have occurred in companies around the world, such as Canada's Bre-X Minerals, France Télécom, and Japan's Daiwa Bank. The key role of trust to a vibrant economy became obvious to all. A company cannot function without the trust of investors, creditors, customers, employees, and other stakeholders. Classical economists such as Adam Smith regarded economics a branch of ethics. No business activity can occur in the absence of trust, fair dealings, and honest communication. Accountants play crucial roles in private companies, publicly traded corporations, auditing firms, and government organisations. Accountants maintain business transaction processing systems and prepare the financial reports on which others rely. Accountants are crucial to vibrant national and world economic activity.

Today and for all time, accounting professionals must stand for the highest ethical values. By doing so, they protect the profession's reputation and ensure the vitality of the profession. Accountants in practice and in education must do all they can to ensure that ethics remains a hallmark of the accounting profession. Practitioners and educators must work together to foster correct ethical thinking in those entering the accounting profession. In this way, the accounting profession will ensure that investors, creditors, and others can continue to rely on the accounting information contained in financial reports. Thereby, business activity and economic progress will be facilitated around the globe.

For practical application, integrity can be defined as “knowing what’s right and having the courage to do it”. Doing what is right can be very difficult indeed. If confronted by pervasive unethical behaviour, can one person, acting alone, make a difference? An accountant must be willing to try. Many people are counting on him or her to do so. When things are not the way they should be, Mohandas Gandhi, offers guidance: “You must be the change you wish to see in the world”. In the final analysis, doing what is right has its own reward. Abraham Lincoln, the 16th US President, said, “Honor is better than honors”. At a US Congressional Hearing regarding business and accounting ethics, Truett Cathy, founder of the Chick-Fil-A restaurant company, quoted Proverbs 22:1, which states: “A good name is more desirable than great riches; to be esteemed is better than silver or gold”. For a person to achieve personal integrity means far more than to achieve fame and fortune.

This special issue of the *International Journal of Accounting, Auditing and Performance Evaluation* explores questions related to ethics in the accounting profession. While much has been done to strengthen the role of ethics in business and accounting, there is always much more that can be done. My deep appreciation goes to the authors who were willing to do ethics-related research and to submit it for consideration. Shaub offers a potential explanation for the apparently materialistic behaviour by accountants and auditors in what has historically been a highly regarded ethical profession. Corno et al. examine the role of ethical advisors in promoting socially responsible investments. Talal and Lan compare the attitudes of managers with those of external auditors toward common practices and issues of earnings management in Jordan.

Noël and Trébucq consider the consequences of the Enron affair on accounting education in Europe. Hale et al. examine perceptions regarding the trustworthiness and integrity of the US accounting profession, based on a survey of accounting practitioners, accounting educators, and accounting students. Sy finds prescient remarks on morality, gender, work, labour, professionalism and management, based on a close reading of Pacioli’s famous work, *Summa de Arithmetica, Geometria, Proportion et Proportionalita* (translation: *Everything about Arithmetic, Geometry, and Proportion*). The results of outstanding research such as provided by these authors help us assess the important role of ethics in accounting and auditing.

## Websites

American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct (<http://www.aicpa.org/about/code/index.html>).

Institute of Internal Auditors (IIA) Tools and Resources for Ethics ([http://www.theiia.org/?doc\\_id=4374](http://www.theiia.org/?doc_id=4374)).

Institute of Management Accountants (IMA) Ethics Center (<http://www.imanet.org/ima/sec.asp?TRACKID=&CID=84&DID=119>).

International Federation of Accountants (IFAC) Ethics Committee (<http://www.ifac.org/Ethics/>).

Quotations on Ethics in Business and Society (<http://acct.tamu.edu/smith/ethics/quotes.htm>).