

Chapter 2

Ethics in Accounting and Finance: A South African Perspective

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ABSTRACT

Ethics forms the cornerstone of business and commerce today. It is the lifeblood of every institution be it private or public enterprise. Organisations have to develop and implement a properly structured policy on ethics outlaying proper governance within the institution. Accounting and finance services are crucial in managing a company's finances and wealth. In the accounting profession, in order for there to be transparency and trust, ethics is a crucial area that needs to be present. The many scandals and ethical dilemmas faced by countries organisations throughout the world has made us pause and take stock of what is happening in industry and has prompted action in law and governance towards ethics and corporate governance. South Africa too, has had its fair share of scandal that has had its legal fraternity, government, and business sector develop the Kings I, Kings II, Kings III, and Kings IV laws that stipulate corporate governance and ethics. Organisations have to be honest, professional, and transparent in their business practices.

INTRODUCTION

In today's business environment, the area of ethics is a very contentious issue that is becoming a major driver for responsible business practices world- wide. Corporate scandals have rocked economies throughout the world, which has resulted in us relooking at ways to improve the area of finance, and accounting, which have in recent years been plagued with issues of unethical behaviour. This unethical behaviour perpetuate within the organization, can have serious consequences to the shareholders' and other stakeholders of the organization and can affect the local and international economy in which the business operates. This ripple effect can have a catastrophic effect and ruin business relationships with

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current and future investors. No economy can survive, if investors' perceptions about a country's business is poor.

The auditors and financial accountants within the organization have a moral obligation to the public to aspire to a strong ethical mind-set that they should consciously practice in their daily business dealings. Fostering goodwill in the business environment with stakeholders specifically is high on the agenda, in order to receive continued support and investment. It is important to reiterate that a strong investment climate depends on investors' having a high regard for the ethical standards implemented by business and confidence and trust in the organization. It is imperative for accountants and financial directors to take the lead in being vigilant in upholding a strong ethical code of conduct. If we turn to South Africa, this country has also been shamed in the media for unethical scandals that have soured investor trust.

To improve the country's business climate and attract foreign direct investment it is the duty and responsibility of the accounting and financial practitioners' to uphold and practise a strong code of ethics that can uplift, develop and sustain a positive business climate that investors can feel proud and confident to invest in. Transparency, honesty, good business practice and social responsibility should be the guiding principles to uphold the accounting and financial fraternity.

The discussion will start by firstly, highlighting different theorists' views on ethics in accounting and finance.

ETHICS IN ACCOUNTING AND FINANCE

To gain an understanding of ethics in accounting and finance, theorists have provided different views and insights on the subject. From all the different theorists' views explored by the researcher, an important realization has emerged namely; that ethics is crucial to the survival and growth of the accounting profession. A synergistic approach should be followed within the organization, in order for ethics to permeate the relevant structures of the organisation in a holistic manner. Since the main aim is to instil a high moral code of ethics in accounting and finance, this means that all accounting and finance staff at all levels within the organization should implement this in their daily business practices.

The discussion will now turn to defining ethics. The word "ethics" is etymologically derived from the Greek word "ethos", which means "character" or "manners" (Skorupski, 2003). Brinkmann (2002), defined ethics "as a discipline in which matter of right and wrong, good and evil, virtue and vice are methodically examined. Ethics looks at human behaviour, moral principles and the attempt to distinguish good from bad. When trying to identify common issues being dealt with within the business environment, professional bodies' codes of ethics is the right place to look. These codes represent what we can consider to be the reflection of business ethics. Codes of ethics should mainly address the particularities of high risk activities and are built on the collective conscience of a profession as a proof for the group's acknowledgment of the moral dimension". In a South African tertiary business ethics education module, Rossouw and Van Vuuren (2010) define ethics as: "Ethics concerns itself with what is good or right in human interaction. It revolves around three central concepts: 'self', 'good' and 'other'. Ethical behaviour results when one does not merely consider what is good for oneself, but also considers what is good for others. It is important that each of these three central concepts be included in a definition of ethics".

Ethical standards are thought to first be introduced and developed at the home front, by the family members or guardians. Later in the life of an individual, ethical principles can be strongly influenced by the standards of an individual's surrounding community, with the improper or even criminal behav-

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