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Current interpretation of professional ethical requirements to accountants and auditors

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Abstract

The research objective was to analyze the requirements to professional ethical conduct of accountants. The data analysis stage comprised deduction, induction, and smart modeling that allowed

making a connection with psychological knowledge and to critically reconsider the basic concepts of professional ethics of accountants and auditors. As a result, a large majority of the colleagues (96.9%) organizes and maintains accounting records by focusing on the needs and interests of the top management. In conclusion, by honesty the Code means the accountant's responsibility to act in an open and honest manner in all professional and business relationship.

Keywords: Code of Professional Ethics, Honesty, Objectivity.

Interpretación moderna de exigencias éticas profesionales a contadores y auditores

Resumen

El objetivo de la investigación fue analizar los requisitos de conducta ética profesional de los contadores. La etapa de análisis de datos comprendió la deducción, la inducción y el modelado inteligente que permitió establecer una conexión con el conocimiento psicológico y reconsiderar críticamente los conceptos básicos de ética profesional de los contadores y auditores. Como resultado, una gran mayoría de los colegas (96.9%) organiza y mantiene registros contables al enfocarse en las necesidades e intereses de la alta dirección. En conclusión, por honestidad, el Código significa la responsabilidad del contable de actuar de manera abierta y honesta en todas las relaciones profesionales y comerciales.

Palabras clave: Código De Ética Profesional, Honestidad, Objetividad.

1. INTRODUCTION

The system of social institutions ensures stable existence, development, and regulation of social relations in society. The best-known institutions are state, army, political parties, court, civil society, family, church, education, science, economy. The institution of the economy is of utmost importance here since it provides the material basis for the existence and development of social relations and is interrelated with all social institutions; it conditions reproduction of population (Mislavskaya, 2015). Obviously, this institution is a principal guarantor of the existence of any state, which main tasks are inviolability of territorial integrity, sovereignty, and law enforcement as well as the resolution of the issues relating to progressive economic development to promote national interests (Polenova, 2017c). The social institution of the economy has a complex structure consisting of multiple constructs.

And the accounting system is a mechanism providing appropriate interrelation and interaction (Ermakova, 2014). Accounting is used to furnish all information concerning property, liabilities of economic entities, financial performance, tax burden, and other information underlying economic analysis and management decision-making at all levels of authority (organizations, corporations, state). Moreover, the accounting

can serve as a tool to influence decision-making, manipulate actions of governing bodies and structures (Mislavskaya, 2016). Thus, certain moral guidelines, whether present or absent in accounting officers following them in the course of their professional activity, have an eventual impact on the well-being of the whole society as a set of organizations, enterprises and industries (Indriastuti, 2019; Kosari, 2018; Sears, 2018).

2. METHODOLOGY

Hence, it is urgent to establish requirements, norms, and rules of professional conduct among accountants. Russian accountants have the only document that formalizes the corresponding instructions. This is the Code of Professional Ethics for Members of Non-Commercial Partnership Institute of Professional Accountants of Russia approved by the decision of the Presidential Council of Non-Commercial Partnership Institute of Professional Accountants and Auditors of Russia on March 29, 2018. In respect of accountant's professional activity, the document is based on the undertaking to act in the public interest alongside with the ethical principles of honesty, objectivity, professional competency, due care, confidentiality, and professional conduct. Accordingly, the document highlights

that responsibility of the colleagues is not limited to addressing the interests and needs of an employer or a customer.

It is questionable whether this affirmation is of any practical use despite all its obviousness, definiteness, and general approval within the professional community. Chief accountants, financial directors of Russian organizations, auditors underwent professional testing in research seminars at the Financial University under the Government of the Russian Federation during the period from 2015 to 2018. The testing involved 227 respondents and contained, inter alia, the following questions:

1. Does your organization have (use) an internal professional code of ethics for accounting officers?

2. The interests of which user group do you serve when developing accounting policy provisions? a) Interests of the Russian society; b) interests of the employing organization; c) interests of the top management (Yang et al., 2019; Soo et al., 2019; Fitriani & Suryadi, 2019).

3. RESULTS

100% of respondents answered negatively to the first question. The second question had the following results. A large majority of the colleagues (96.9%) organizes and maintains accounting records by focusing on the needs and interests of the top management. 2.2% of respondents consider corporate interests. 0.9% of respondents were chief accountants who pursued the economic interests of society.

4. DISCUSSION

One of the reasons for the current situation is the absence of appropriate validation at the level of federal accounting standards (Sotnikova, 2018). The Accounting and Reporting Regulations of the Russian Federation approved by the order of the Ministry of Finance of the Russian Federation No. 34n of July 29, 1998, list the main accounting tasks with the emphasis on the requirement to create complete and accurate information about organization operations and property status as necessary for internal users of accounting reports (leaders, promoters, participants, and property owners of an organization) and for external users (investors, loaners, and other users of accounting reports) (Accounting and Reporting Regulations) However, the specified circumstance does not preclude from implementing the

requirement to prioritize the public interest while preparing accounting (financial) reports.

The etiology of the problem is methodological in nature. It calls for some explanation and needs to be integrated with modern beliefs of psychological knowledge, namely with the doctrine of psychological egoism that is popular and widely interpreted in different areas of West European science. This theory is not propagandistic, unlike many others. It is descriptive in nature i.e. states the reality facts by keeping track of them (Freud, 1991; Jason, 2014; Lane and Flanagan, 2013; Levit, 2017; Pincer, 2002). Its purport is that all human psychological laws trace their roots to the universal of egoism. Mankind is always guided solely by and puts a premium on its own interests. And egoism is not considered as the world's evil (Ball, 2009; Dawkins, 2013).

Conversely, it is a genetic mechanism of self-preservation and development. A particular individual directs his actions to achieve the maximum positive result, i.e. rests on the hedonism theory where pleasure is the supreme good and reason for existence (Jason, 2014; Milgram, 2017). Moreover, altruistic acts are an expression of egoism as well but in another more advanced form. In that case, an individual consciously (or

subconsciously) improves his mood after committing an action useful to society

5. CONCLUSION

Fellow psychologists interpret the findings and draw the following conclusions with regard to the issue of concern. The responsibility of accountants and auditors to act in the public interest is surely a noble purpose but is actually utopian since it contradicts psychological human nature (Polenova, 2017a; 2017b). In this instance the Code must have the following fundamental premise: the professional activity of accountants and auditors is notable for recognizing and acknowledging the responsibility to strengthen credibility and enhance public confidence in the profession and its representatives. Some concepts of the basic principles of ethics must be changed too. We expound our ideas without claiming to precise formulations.

By honesty, the Code means the accountant's responsibility to act in an open and honest manner in all professional and business relationship. The principle of honesty also implies fair management of affairs and truthfulness. This definition is flimsy so far as fair management of the business is

an abstract fuzzy requirement if there is a wide range of interested users of accounting reports with different purposes and interests. It is difficult to act in an open manner since openness must have clear limits, otherwise, confidentiality, which is the basic principle of ethics as well, is violated (Polenova, 2014).

In terms of accounting science and modern multiple variable in regard to used accounting methods and practices, honesty is presentation of information about valuation of property and organization liabilities using alternative lawful methods and thus enabling various groups of users to freely decide on the adequacy of the presented financial result of activities of an economic entity during the reporting period. From the perspective of psychological egoism, when objectivity prohibits prejudice, conflict of interest or other people from influencing the objectivity of... professional judgment, it is unscientific nonsense and therefore can be excluded from the basic principles of ethics for accountants and auditors. Such rethinking of the ethical and value-based paradigm underlying the current Code of Professional Ethics seems a paradox on the one hand, but restores public confidence in the profession on the other hand.

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