



## CODE OF ETHICS – TOOL IN THE DEVELOPMENT OF A FAVORABLE CLIMATE ACCOUNTING PROFESSION

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### Abstract

*Code of Ethics is a formal organization through which it declares its values and principles in social issues and defines its responsibility towards stakeholders and behavior they expect from their employees. The aim is to communicate the code of ethics are standards of the organization, namely to guide present and future behavior and actions in different situations makes them clear objectives, norms and values that support them and who is responsible.*

*National Code of Ethics for Professional Accountants of Romania establishes rules of conduct for professional accountants and formulates the basic principles to be observed by them in order to achieve common goals. Professional accountant pursue his professional activities under the rules of conduct laid down by the Code of Professional Ethics and Compliance national and international regulations.*

**Keyword:** coding, the accounting profession, code of ethics, regulation, moral values.

**JEL Classification:** M41, M49

### I. Introduction

The need for coding, the transition from regulation to regulation spontaneous behavior formal official is ever present, especially once the postmodern uncertainty on grounds of moral assessment, but with increasing number of employees and the annual

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increase business. Code, described as ethical, moral, ethics or good conduct is a written reference to values, norms and behaviors that employees of large corporations should or shouldn't follow.

A definition of the ethical code accepted by specialists Englishmen, Americans, Germans, Japanese, and French ones, can be: code of ethics is a written document that states and lists the values, norms and ways of doing that now, firm or company wants to see them applied both inside and outside-in. Incentive (with the dominant cultural) coercive (with a dominant disciplinary), the code is meant to attract the attention of people in the organization and assembly of stakeholders (in production, sales, business), the fact that economic performance is not obtain at any price, the goal doesn't always justify the means, it is an instrument for the regulation of relations between the company seen as an entity, as an institution that is governed by formal and informal rules that include staff and stakeholders. (Ballet, Bry, 2001)

## **II. Ethical codes - necessity, content, features**

Over time they have won two types of codes: some defensive, some offensive. Rationale (why) defensive (Ballet, Bry, 2001) most obvious are:

- self desire;
- the company's current desire to be moral;
- shareholder pressure (ethical funds);
- consumer pressure (fair trade);
- reaction to scandals (financial, environmental, social);
- reaction to the development of a national law, community or international;
- restoring the social climate in a company or enterprise.

Equally striking are offensive reasons:

- the adoption of a new management;
- improving the reputation of the organization;
- occupied parts market growth;
- the need for a common reference;
- clarify business objectives;
- the decentralization of decision;
- competitive differentiation;



- establishing a loyal clientele;
- staff involvement;
- recruiting full salary;
- guidance and control employee behavior.

Institutionalizing ethics (Snoeyenbos, Jewell, Morals, 1983) in corporations means at least three things, besides constant care to improve the organizational climate and their moral:

- adopting a corporate code of ethics;
- establish a "committee of senior ethical principles";
- training of type of coordination ethical development programs.

A number of authors, both the French and the Anglo-American environment, are of the opinion that "such a code should not be an advertisement appealing or be so general as to be useless" (Snoeyenbos, Jewell, Morals, 1983) code should fix reasonable purposes. Also, the Ethics Committee should be invested with full authority and responsibility, both to communicate decisions based on his code and corporate members, as well as to clarify and interpret the code when certain needs arise, or to facilitate the use of the code in investigating abuse.

Jerome Ballet and Francoise de Bry (1983) said that the presence of ethical codes is determined by the following factors:

- large companies;
- considerable oldness of the organization;
- high risk activity.

The universal plan, there are two dominant types in terms of how the Codes were implemented: by constrain or negotiation. The topics addressed in the Codes are grouped around several major topics: basic principles of organization (values, principles of action etc.), the behavior of employees, relationships with stakeholders (shareholders, customers, suppliers, local communities, government), environment.

It is recognized more frequently the idea that codes developed under the influence of the French spirit are more monist codes, while those belonging to the Anglo-American spirit are preeminent holistic codes, as can be seen in Table no.1.



**Table 15** Differences between codes coins and holistic codes

	MONISTAT CODES	HOLISTIC CODES
Approach	Culture based on manager Based on enterprise culture	Based on the assessment of stakeholder interests
Method of preparation	Audit of company culture	System Analysis and interests involved interactions
Legitimation	Shared values Community Membership	Recognition of other interests
Exhortations	Conviction manager	External communication
Method	The trend deductive	The trend inductive
Logic	Logic accountability	Logic submission
Source motivations	Memberships enterprise	Disciplinary logic
Control	Self-determined by the value system	Internal or external bureaucratic control
Dissemination	Members enterprise	Interested parties
Strengths	Strong adhesion staff (emotional bounds)	Open system Individual freedom
Weaknesses	Isolation or enterprise increasingly isolated from the surrounding society	The absence of references to a value system, which results in the problem of the legitimacy of interests

*Source:* Ballet, J., Bry, F. L'entreprise et l'éthique, Edition du Seuil, Paris, 2001, pp.389

Author Jerome Ballet believes that: "In effect the trend and necessity, philosophical and legalistic conception, code of ethics emphasizes the mood of the company. It can become an important management tool when the overall agreement, mutual trust, the example of the President in drafting its visible but should not be considered as a wonder tool that will resolve all conflicts of interest of the organization" (Ballet, Bry, 2001). The main difficulties encountered in the development of ethical codes are shown in Table no.2:



**Table 16** Difficulties in development of ethical codes

No.	DIFFICULTIES	MOTIVATIONS
1	Difficulty writing	The codes are vague and empty of meaning
		Codes are an expression of idealism without practical application
		Virtues can't be legislated
		Codes are psychologically unhealthy
2	Motivations which codes are challenged	Codes do not match the real expectations of the organization, but are elaborated to improve the external image of the organization
		Codes are a security measure to simplify the personal decision
		Codes will form the competitive weapon for inefficient organizations
		The development of a code can create an attitude of suspicion from the public who believe that before the organization was not moral.
3	Difficulties of application	Codes can not reduce violent practices in situations of tough competition
		A code of ethics is almost impossible to control

A professional code of ethics is defined as a set of professional ethical principles governing the exercise of professional activities. According to European directives, all ethic codes should include both commercial communication modalities relating to regulated professions, and rules on the conditions for the exercise of professional activities aiming to ensure that ethical rules especially independence, impartiality and professional secrecy.

### **III. The Role Code of Ethics in the accounting profession**

National Code of ethics of the accounting profession in Romania establishes rules of conduct and formulates basic principles to be followed in order to achieve common goals. Professional accountants in Romania operate in different entities and branches of national economy as self - employed or employed; the basic purpose of the Code must



always be respected. Sometimes the duty of members to their profession and to society may seem to be in conflict with their immediate interest or their duty of loyalty to the employer. Based on this framework, it is the duty of the member bodies to develop ethical requirements for their members to ensure the highest quality work and maintain public confidence in the accounting profession.

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Code of Ethics for Professional Accountants has a dual role:

- give authority to the services provided by accounting professionals, recipients of services provided by accounting professionals are sure that these services are performed by professionals that have certain quality standards and respond to their benefits;
- protects accounting professionals in face of economic crime and other negative phenomena in the economy such as money laundering, financing of terrorism, fraud, corruption etc.

To defend the honor, independence and authority of professional accountants, Code of Ethics proposes to accomplish the following essential skills:

- knowledge, competence and consciousness;
- independence of mind and disregard material;
- morality, integrity and dignity.

It also requires each professional accountant to make the effort required to develop such qualities as:

- continually develop their culture, not only professional, but also general knowledge, able to strengthen its judgment;
- give each transaction and situations examined all the attention and time required to substantiate a personal opinion before making proposals;
- to express their opinion without fear to desire, even hidden, the man who consult and decide honestly, bluntly expressing and, if necessary, appropriate reserves on the value assumptions and conclusions;



- not never given the opportunity to learn in the situation of not being able to exercise freedom of thought or being subjected to encroachment of his duties;
- consider that independence must find its full expression in the profession and protecting them with respect full legal provisions.

The Code sets out the conceptual framework that requires professional accountant to identify evaluate and address threats to compliance with the fundamental principles. Conceptual framework approach assists professional accountants to comply with the ethics of this Code and to take responsibility to work in the public interest. Code variants adapted to different circumstances that generate threats to compliance with the fundamental principles that can impede a professional accountant from concluding that a situation is permitted if it is not expressly prohibited.

The Code of Ethics provides that a professional accountant may inadvertently violate a provision of it, but it is possible that the nature and extent of the problem does not compromise compliance with the fundamental principles provided, once discovered, violation is corrected promptly and necessary safeguards are applied.

Threats can be generated from a wide range of relationships and circumstances. When a relationship or circumstance creates a threat could compromise, or be deemed to compromise the fundamental principles of compliance accountant. Threats fall into one or more of the following:

- a) self - interest threat - the threat that a financial or other interest to improperly influence the judgment or conduct of the professional accountant;
- b) the threat of self-examination - the threat that a professional accountant not properly reassess the results of a previous judgment or a service provided by the professional accountant or other person within the professional accounting firm or employing organization, which will the accountant to prepare a judgment as part of current service provision;
- c) favoring threat - the threat that a professional accountant promotes a position of a client or employer to the point where the professional accountant's objectivity is compromised;
- d) familiarity threat - the threat that due to a too long or too tight relationship with a client or an employer, a professional accountant to be too lenient with their interests or acceptance of their work;



e) intimidation threat - the threat as a professional accountant to be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant.

#### IV. Conclusions

Code of Ethics shall include, to the specifics of each profession, so the communications trade on regulated professions, and rules concerning the conditions for the exercise of professional activities aiming to ensure that ethical rules especially independence, impartiality and professional secrecy.

Establish ethical principles and rules and monitor their understanding and the observance of accounting professionals is one of the roles of professional bodies. Therefore it is necessary that each professional body to have the ability and resources to establish a system of investigation and sanctions for non-compliance with professional and ethical standards.

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