Impact Of Professional Ethics On Financial Reporting Quality

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ABSTRACT

Accountants have obligations to shareholders, creditors, employees, suppliers, the government, the accounting profession and the public at large. In other words, their obligations go beyond their immediate client. Decisions made on information provided by accountants can materially affect the lives of any or all of these stakeholders. Therefore, behaving ethically is an essential and expected trait. Expectations of society are very much from the professionals and people need to have confidence in the accounting profession by providing quality complex services. Therefore, the information provided by accountants should significantly efficient, reliable, realistic and unbiased. Lack of professional ethics accompanied with qualitative characteristics of financial reporting can make an unrealistic picture of financial reporting. Regardless of accounting standards and rules, without professional ethics, accountants can provide manipulated financial reports. The existence of accounting standards and rules per se does not guarantee a sound and appropriate financial reporting. Hence, combination of professional ethics and qualitative characteristics of financial reporting must be used. Developing professional ethics in accounting profession lead to promoting the quality of financial reporting.

INTRODUCTION

In today's modern world, the accounting profession is vital because without the current economic system cannot exist. Enhancing the accounting profession distinct lobes, responsible for the society[21].

Meet the social needs of the public interest requires the removal of four of the following:

1 - information validity: society requires valid financial information and information systems.
2 – introduction of professional people: clients, employers and other interested parties should be able to easily identify professional accountants.
3 - Quality of Services: Ensure that accounting services are performed with the highest possible quality.
4 - Trust: professional Service users should be sure that the services of professional accountants offering their services in the form of monitoring is scheduled to be done[1].

Characteristics of any profession is the acceptance of responsibility to serve society, there is a predetermined minimum qualifications for entry into the profession (including the necessary professional skills through training and experience comes from) and committed members of the profession to a set of principles, norms and values of the profession[2]. Since these are the characteristics of accounting requires expertise and skill that has customers who are dependent on the expertise, the result can be considered as a profession.

Being a professional, accountant is obliged to take care of the interests of its customers[3]. The orientation of the society are directed towards political prosperity, religion and morality are indispensable mainstays. Moral values, that provides the infrastructure and the sublime culture and behavior of a civilized society because without this infrastructure shattered and collapses[23]. Accountants have sensitive and difficult responsibility to interpret of accounting transactions and financial reporting form that is usable for interest groups to assess their performance. So, professionally unethical acts of substandard quality financial information could destroy public confidence and dignity of the profession of accountant's disturbances. With increased international attention to the issue of ethics and professional accounting information quality this research has addressed this issue.

Ethics in Accounting:

Ethical problems are a very relevant issue present in many aspects of real life.

The fundamental principles in ethical standards professional bodies will be considered include:

1 - Integrity: A professional accountant should be honest in their professional relationships and transactions.
2 - objectivity: professional accountant should take into professional judgment and the realities your business and not allow prejudice, bias, conflict of interest or influence of others on the professional judgment and affect her work.

3 – professional competence and due care: Professional accountant should perform the service that it is possible to afford. A Professional accountant should have knowledge and skills in their professional development, new methods and techniques and etiquette to the level at which the employer or the employer has to ensure that the professional services efficiency.

4 - Confidentiality: A professional accountant should the information obtained in the course of professional services without explicit permission of the employer or the employer's confidential and disclose such information unless or without the professional legal duty Exposing the information on be permitted.

5 - Professional behavior -courtesy: A professional accountant should deal with each other when carrying out their duties, act with courtesy and respect. Must also comply with laws and regulations and to refrain from actions that would discredit the profession[6].

This is important because many researchers in developing countries have conducted studies in accounting ethics education[13].

Since the financial activities are essential for the survival of our current world and accounting simplify your activities, Therefore useful to consider accounting as a profession and for its role in tracking complex network of financial relations in today's world, as a profession, has become sensitive to professionals have been Code of Ethics.

As professional accountants and other professionals, have a moral responsibility to master the work ethic necessary to observe their jobs well.

Occupations and professions have long been considered the moral and ethical impacts should and should not have much to say.

CPAs affidavit confirming the sensitivity of the standards of professional ethics. Unfortunately, recent developments in the accounting and reporting process in Iran and other countries indicates that this pursuit of ethical malpractice.

How long is a professional accounting bodies in various countries have attempted to develop a professional code of conduct, But if the professional code of conduct alone cannot solve the problems of the professional accounting scandals occur around the world[11].

society are expecting a lot from the professional and the public must have confidence the complex quality services offered by in the accounting profession. Thus the information provided by accountants should significantly efficient, reliable, realistic and unbiased. the accountants are not only qualified and competent professionals, but also enjoys a high degree of honesty and integrity and professional reputation of their most important assets[10].

Ethical behavior are one of the essential personal skill that professional accountants must possess but it has been proven by the research reports that professional accountants are following all the rules relating to their profession except moral duty an obligations or ethics. Ethical behaviors not only protect the professional accountants but that of the accounting profession as a whole.

The importance of ethics in accountancy has been proven by many previous scandals. Professional accountants can learn a lot from the mistakes like Enron scandal, Tyco, Adelphia, world com etc. The scandals have damaged the reputation of professional accountants and also damaged public confidence in the accounting profession. After the scandals, ethics has become a major issue for all professional accountants[4].

Qualitative characteristics of financial reporting:

The Blue Ribbon Committee's recommendation No. 8 and No. 61 standard specifically refers to the quality of financial reporting, but emphasized the company's accounting principles, the financial statements implicitly focus. However, a comprehensive discussion of the quality, the above financial statements should be Because the company's financial information with other devices (such as journals, financial reports, analysts, etc.) and other methods (egg, lectures, displays and online information services, etc.) are published. Another point is that financial reporting is not a finished product, but a process that consists of several components is presented in Figure 1. Based on the proposed framework, the quality of financial reporting at the end depends on the quality of financial reporting of each section[20].
If we want qualitative characteristics of financial information briefly define is perhaps the best definition is the definition proposed by Vickrey[25] says that there are features of the information that would be useful. The information quality is considered to be a series of important qualitative properties. According to the theoretical concepts of Iran’s financial reporting, the aim of financial reports is to provide brief as well classified data about the financial status, financial functions, and flexibility of the commercial unit which is to be useful to the users of the financial reports to make economic decisions. In addition, according to the theoretical concepts of Iran’s financial reporting, data are useful if they have certain characteristics which are called quality aspects of accounting data. On the other hand, information if include certain features of the qualitative characteristics of accounting information is known to be useful [24]. Quality characteristics, concepts are integral to the achievement of useful decision making financial reporting information they need to maximize the usefulness of the financial statements. The objective of financial reporting is to provide information that is useful to present and potential investors and creditors and others in making investment and similar resource allocation decisions [14].

Auditor's opinion is the criterion to determine the reliability of a company's financial statements. Fundamental concepts of auditing the auditor's statement that it adds to the financial reporting process, the quality of the reported information requires consumers to assess the quality of the information before using them. The main qualitative characteristics related information understandability and comparability of these two features are also composed of different specification. As an important qualitative characteristic of understandability means that information contained in the financial statements is easily understandable for users. And understandable financial information is necessary to properly merge and be categorized items. Comparability means that users of financial statements need to be able to compare the financial statements of an entity over time to identify changes in financial position, financial performance and financial flexibility to compare. You should also be able to compare the financial statements of different business units.

Professional ethics and qualitative characteristics of financial reporting:

The rapid development of human society and social relationships become more complex, the need to create new ones. Professional development efforts of various products needed in response to changing conditions over time and gradually takes shape and evolves. Thus with development the range of accounting responsibilities, the accounting profession was formed. This means that accounting services are provided under the supervision of a professional association and a member of the Association of Professional Responsibility is a professional [22].
According to principle of the code 2 AICPA " Members must be committed to the public interest to provide treatment. Respects the public’s trust and show commitment to career-oriented ".

Lee [16] the professional responsibilities of these counts:
1 - responsibility for society.
2 – responsibility for client.
3 - responsibility for other members of the profession.
4 - responsibility for itself.

In other words, professional person should accept that after joining the profession, the interests of clients, and members of the profession to protect their personal interests ahead because the contracts of his career to protect the interests of the public known.

Accounting profession to provide true and accurate picture of the performance of an organization is formed [17].Foreword to the rules of professional conduct of certified public accountants in the accounting profession Iran is also one of the most disciplined professional world and Due to the nature of the services provided must be a valid and reliable. Continued trust and strengthening the intellectual and practical adherence to professional standards of conduct depends upon its [19].

Professional standards and ethical behavior, it is important to make policy. These policies, such as the main characteristics of the profession, professional relationships with each and every member of the public relations profession in the covers. The rules of professional conduct is called professional accounting principles. Hence, the nature of accounting as a profession, attention to professional ethics and justifies the creation [15].

Accountant's violation of professional ethics scandal over the economic and financial crisis has resulted. Separation of management from ownership, accountants placed in a position of moral uncertainty or doubt that their behavior is not only confusing and sometimes paralysis of capital markets but also makes it possible for administrators to create distrust the integrity of management activities limited that.

Hence, in recent years, the accounting profession toward more restrictive legislation, such as regulations or rules of professional conduct of Captor Sarbanes-Oxley is gone, along with the many universities and institutions of higher education teaching professional ethics to include topics have increased their tuition.

The quality of financial reporting indicates a limit in which the financial reports of a company, its economic status, and functions, which are measured over period of time, are presented honestly (Talebnia et al., 2011). Truthfulness of and trust in the financial reporting system depend on far more than the actions and decisions of individuals or sophisticated “mechanisms” for the whole system [9]. Companies in the energy, accounting, and banking industries and the professional associations of the certified public accountants and the investment managers and researchers have, in varying degrees, affected the quality of and confidence in the financial reporting systems. Therefore, truthfulness of and trust in the financial reporting system cannot be a matter of either personal or institutional ethics alone [5].

Behaving ethically in accounting is more important than auditing because accounting system prepares financial statements for auditing [18]. Accountants have obligations to shareholders, creditors, employees, suppliers, the government, the accounting profession and the public at large. In other words, their obligations go beyond their immediate client. Decisions made on information provided by accountants can materially affect the lives of any or all of these stakeholders. Therefore Behaving ethically is an essential and expected trait [7]. As a result, an accountant not only sees the moral consequences of their choices in life, but the lives of other people is also [8]. Professional ethics is important to accountants and those who rely on information provided by accountants because ethical behavior entails taking the moral point of view. Internalizing and developing professional ethics in accounting profession lead to promoting the quality of financial reporting.

Conclusions:

Services provided by non-acceptance and confidence in the accounting profession is useless to users. Service Trust, the Trust is offering its function and integrity and adherence to moral principles. According to The role of accounting in economic and social development and importance of health care information for investors and creditors, Ethics is a central element in the accounting profession. The future of the accounting profession depend on leaders of moral leadership by professional accounting profession. They need to explain the importance of the moral standards of honesty and personal training needs, current and future accountants to lead the noble. Obviously, doing this will ensure that in future research to accounting career fair to its historical role in economic growth and prosperity and the welfare of nations to continue. On the other hand, The existence of accounting standards and rules per se does not guarantee a sound and appropriate financial reporting. Hence, combination of professional ethics and qualitative characteristics of financial reporting must be used. The accounting profession is based on the confidence of investors and business owners, in addition to working in skill, proper moral perspective is also important. Thus, perhaps a more detailed plan for developing the moral lesson plans and discussions with other potential financial issues in specialized accounting students as managers.
of firms can be considered. This can help improve the quality of financial information and compliance with professional ethics.

REFERENCES

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