What is ethics in accounting?
Ethics is a term used to refer to the morals and principles an individual follows based on personal beliefs, often influenced by societal and personal standards.

In accounting, ethics are very important, as they dictate many of the actions individuals take. When this term is used in this industry, it relates to the management of financial statements. As a recap, financial statements include balance sheets (equity, assets, and liabilities), income statements (revenue and expenses), statements of cash flow (cash inflow and outflow), and statements of owner's equity. In many cases of fraud, these figures are often altered to suit certain situations or fit desired narratives.

When analyzing this situation, there are a few important factors to consider to help us understand the different types of ethics in accounting. The first is ethical behavior, which is the set of values and principles an employee in this field should adhere to. This mainly relates to trustworthiness, respect, good citizenship, and responsibility. These principles prove to be particularly important during times of ethical dilemmas, where conflicting ideas or thoughts clash, and an individual's true principles dictate their behavior. To illustrate this, let's consider a fictional scenario involving John, a person facing financial difficulties. He has a debt of $14,000 that he owes to creditors, and a friend deposits $10,000 into his bank account. He realizes that this amount cannot be recorded as revenue and must instead be categorized as a liability. Consequently, he asks his accountant friend, Jennifer, to alter the figures. As a certified accountant, changing figures to suit personal requirements is not a legal practice. Jennifer, as an individual, has her own moral values, which include being a responsible and fair person. She also understands that being a chartered accountant requires compliance with business and accounting ethics. In this situation, she faces a moral dilemma, torn between helping her friend and acting professionally.

This situation is a common example of ethical dilemmas, often based on the fraud triangle, which comprises pressure, rationalization, and opportunity. As a friend, Jennifer feels pressured to assist John in his financial troubles. However, as a rational individual, she understands that she must abide by a set of values. Despite the existing opportunity, largely due to her position as an accountant, allowing her to make such alterations, Jennifer knows that it goes against the principles of her role.

After careful consideration and reflection, she ultimately decides to be straightforward with John and explain that she cannot perform these actions. This illustrates her strong moral standards and determination, which helped her navigate a difficult situation with relative ease. Such situations often arise for individuals in financial services, and they must rely on their morals and ethical standards to navigate these challenges.

Identify and explain four principles of ethical behavior:
Ethical behavior relates to the actions an individual takes that comply with their personal moral standards and societal levels. There are many facets to ethical behavior, with some of the key ones being:

1. **Trustworthiness**: Trustworthiness is the practice of being honest and truthful. As an accountant and a person in the financial field, this is absolutely crucial, as you are expected to manage financial information and statements. The individuals who provide this information trust that this service will be done in a confidential manner, without causing further harm in the future. Potential investors, lenders, and financial partners also value this trait, as they look for individuals who can analyze markets and deal with situations that comply with codes of conduct.

2. Respect: Respect is an essential trait for any successful accountant. Clients expect you to be respectful of their private information and details, which includes not spreading rumors and not providing information to those who do not need it. Consumers also value the representation you provide of them to others in the industry, and this is a reflection of your view of them.

3. **Justice**: Justice is the practice of giving individuals what they deserve. Accountants are expected to create financial statements based on factual information, not interfered with through personal beliefs and viewpoints. This quality ensures that fair treatment exists and increases the respect and trustworthiness you receive in the financial community.

4. **Responsibility**: Responsibility is one of the most significant indicators of one's accounting standards. A responsible accountant is one whom others can rely on for their work and who serves the public's interest rather than their earnings. Regularly practicing responsibility allows for improved management of costs, budgets, and revenue management.