

Accounting Ethics: *What's that?!?*

(alternatively: *Virtuous Leadership and the Accountant*)

To some people, the term 'Accounting Ethics' might sound like an oxymoron. "Managements are prepared to commit fraud especially in times of crisis, right?", one might say. "Isn't greed the foundation of business, as Gordon Gecko said?", another might retort. Pakaluk & Cheffers, in their text *Understanding Accounting Ethics*, make the following important claims, among others: (1) Accounting is a profession which has as its function the providing of the conditions of trust in a modern market economy; (2) The virtues of an accountant may be derived through reflection on the distinctive role or function of an accountant, and (3) As a profession, accounting is in many respects the most altruistic and ethically demanding of the professions.

The authors of *Understanding Accounting Ethics* wish to convince us that it is possible to derive the distinctive virtues of an accountant—or at least those that he ought to possess—and that we can understand these virtues as analogues of the cardinal virtues (to wit: Prudence, Justice, Courage, and Self-mastery). I wish to highlight only two of the virtues of an accountant that they discuss at length in the book: (1) courage, and (2) prudence. *Courage* in an accountant typically takes the form of *due diligence*, that is, taking the pains necessary to find out something that you recognize that you do not yet know, but that you need to know in order to act as you should. The 'stubbornness' that a practitioner needs to carry through and discover what needs to be known is a virtue analogous to *courage*. Now *due diligence* has to do with seeking the truth. But something like courage is also needed in some cases when it comes to declaring the truth. An accountant, as a professional, must be prepared to resign his livelihood, if necessary, if the alternative is that he has to do or cooperate with something contrary to his professional principles.

Prudence, on the other hand, is that cardinal virtue which is the mold and "mother" of all the cardinal virtues, of justice, fortitude, and temperance. Any man of action, and above all someone governing or leading a company, is using it constantly: he practices prudence in the management of his affairs; otherwise, he would not be able to survive. Prudence—sometimes called *practical wisdom*—is essential to governance and to the exercise of a profession. It is (this is the way philosophers of classical times called it) *auriga virtutum*, the *charioteer of the virtues*. It is the directive virtue. In his directing and governing, the mature person ought to be, with due information and with acquired habits, able to dominate what is novel, unexpected, or exceptional. Accumulated experience makes man capable of confronting the unexpected. Obviously, in practice it is quite difficult to avoid mistakes because we are not omniscient, but prudence allows us to rectify.

I understand that there are many who are sceptical about the value of ethics for accounting, including you who are reading this. I thank you, nevertheless, for reading all

the way to this last line of the article: hopefully, you will be more open to reading further columns that have 'Ethics' in their title.

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