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IMPACT OF ETHICAL ACCOUNTING ON ORGANIZATION PERFORMANCE

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ABSTRACT:

Ethics in itself is a wide term with various angles to analysis and scrutinize. Implementing ethics in accounting is an integral part of an organization. It is believed that following ethical code of conduct reflects the performance of an organization. Taking this into consideration this research work talks about various ethical code of conduct that are followed in accounting which showcases or leads towards good performance of the organization. The paper also highlights that when an organization follows ethics in

accounting it helps organization to build up strong image among the public.

KEYWORDS: *Ethics, Code of Conduct, Organization Performance.*

INTRODUCTION:

Ethics is a part of philosophy concerned with systematic, defending and recommending concepts of what is right and what is wrong way of conduct. In short ethics could be defined as code of conduct that provides difference between right and wrong, good and bad virtues and evil. It could also be referred as Moral Philosophy. Taking ethics as a base business organization has also laid down certain code of conduct that is needed to be followed in process or running of business organization. This laying down of code of conduct and various standards led to the evolution of the concept of Ethical Accounting Ethical accounting

means application of ethics related to human ethics and business ethics i.e Accounting involves analysis of financial information and during this process of analysis and interpretation one may lead to potential possibilities of manipulating numbers or abusing information for increasing the earning or building good perception of the organization. In order to avoid such circumstance of dishonesty, fraud and manipulation implementation of ethical accounting becomes vital. Basically ethical accounting is a professional code of conduct in accounting which is led down by Institute of Chartered Accountants of India in India. Ethical Accounting in itself is concerned with truth in form of true numerical description of various business activities that

are under taken by the organization. Thus ethical accounting relates with honesty, integrity and fairness on financial interpretation of any business concern.

How Ethical Accounting works within the Organization:

Ethical accounting has outlined its own principles and this principle covers various dimensions of ethical behavior of the employees within the organization. This set of ethical behavior elaborates the implementation or working of ethical accounting within the organization. Following points illustrates how ethical accounting works in the organization:

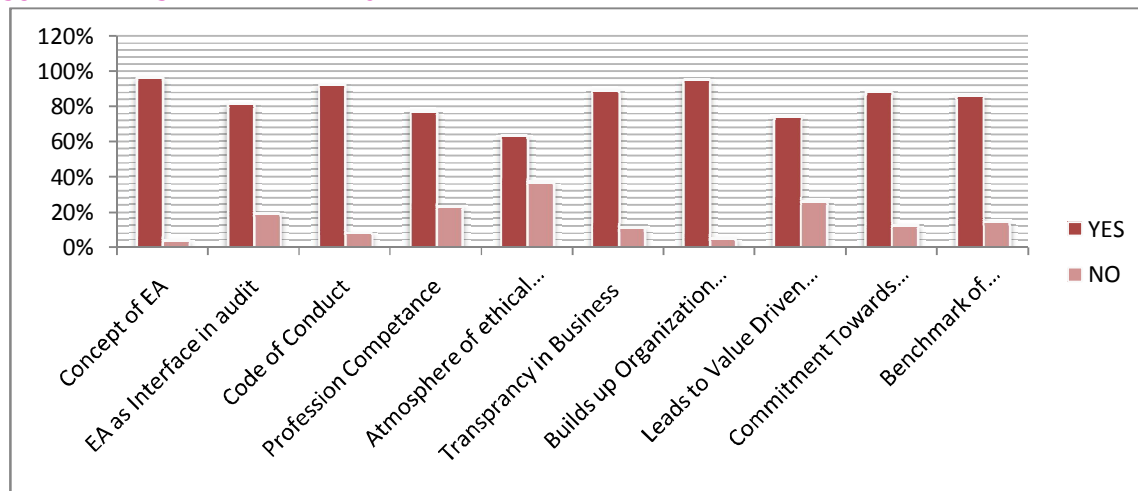
- Builds up Integrity : Integrity doesn't mean perfect set of rules or any such course of action but it is just a state of mind towards honesty, straightforwardness and commitment of acting in principle way rather than personal gain. Thus ethical accounting incorporates integrity in organization.
- Identification of inappropriate business practices: Implementation of ethical accounting facilities in identification of any fraud and misappropriations of accounts. It also discloses whether the financial information provided in the organization along with numeric value is right or not.
- Professional Competence: The field of accounting is a dynamic body involving various changes in its procedure and practices. Thus ethical accounting works as base in updating accountant with all the changes in code of conduct along with providing clear picture to the stakeholders.
- Transparency and Confidentiality: Accounting information is very sensitive to handle, because such information could be used by other parties for their benefits or either by the employees for their personal gain. Thus when ethical accounting is enforced in the organization it refrains employees to undertake any such fraudulent practices and thus involves transparency of work.
- Sets Professional Behavior: Adopting ethical accounting within the organization sets up a benchmark of professional behavior among the stakeholders. Stakeholders also believes that as the organization has ethics involved in accounting then all the business activities will be value driven. Apart from that it leads to higher level of commitment towards product and services offered by any of the organization involving ethical accounting.

Above stated points are not only the reflection of ethical accounting and its working within the organization. There are ample of facets of ethical accounting and how it really reflects in the organization.

Analysis and Interpretation of Impact of Ethical Accounting on Organization Performance
Ethical Accounting tends to be an integral part of any business organization. Two organization officials i.e. employees and employer were interviewed regarding ethics and ethical accounting within their organization to determine the real output of ethical accounting conduct and its impact on organization performance. Employees were interviewed with below questions:

- 1) Are you aware about the concept of ethical accounting?
- 2) While conducting audit in your organization do you consider ethical accounting as an interface?
- 3) Do you follow government parastatals and code of conduct laid down by ICAI while accounting?
- 4) Do you believe that ethical accounting provides with profession commitment and competence?
- 5) Following ethical accounting do you think that you set up an atmosphere of ethical behavior within the organization?
- 6) Does implementation of Ethical accounting bring in transparency in business activities and make accounting crystal clear?
- 7) Do you think that following ethical accounting builds up organization brand image among the stakeholders?
- 8) Ethical Accounting in the organization leads to value driven activities within the organization?
- 9) Ethical Accounting helps organization in showcasing commitment towards product and services offered?
- 10) Ethical accounting helps organization to set up a benchmark of professional behavior?

These were the question that was questioned to various employees and employer within the organization where the respondent responded in yes or no leading to various analysis and interpretation.

RESULT AND ITS INTERPRETATION:

The picture is very clear from the above graphical presentation that definitely implementation of ethical accounting leads to increase in organizational performance. Viewing 10 major points of following ethical accounting in the organization gives a sufficient proof that yes being ethical in process of accounting enhances the performance of the organization. The graph also depicts that when any business concern strictly adheres to ethical code of conduct it builds up a strong brand image among the stakeholders, not only this it also helps organization in showcasing their strong commitment in the product and services that they offer. Ethical accounting facilitates to bring in transparency in all the business activities along with financial disclosure. During the process of audit within the organization ethical accounting becomes an interface bringing in honesty, integrity and fairness in all numeric values setting up an atmosphere of ethical behavior in the organization. Thus it is rightly interpreted that ethical accounting sets in benchmark for all the employees working in the organization that when any business concern follows the government parastatls and norms laid down by ICAI for accounting that organization leads to professional commitment and leads to all value driven activities that boosts up organizational performance.

CONCLUSION:

In any of the business organization accounting is the most important part in order to survive in the market and for these ethical accounting proves to be a boon. In the above analysis we had a clear picture that when organization acts ethically during accounting it evaluates the true and fair performance of the organization and any discrepancy can easily identified. Thus ethical accounting ensures that any decisions made either by the employees or employer that decisions are of highest standards and as per the code of conduct. Henceforth it is also observed that ethical accounting helps in higher professional staff commitment in maintaining ethical standards that helps the organization in developing and sustaining a transparent approach towards governance, stakeholder and various other issues. In short ethical accounting facilitates reinforcing the value and performance of the organization.

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