

H L Handbook on Human Values & Professional Ethics



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Objectives

- To understand the moral values that ought to guide the accounting professionals, resolve the moral issues and to justify the moral judgement.
- To develop a set of beliefs, attitudes, and habits that should display concerning morality.
- To create an awareness on accounting ethics and human values.
- To inspire moral and social values and loyalty.
- To appreciate the rights of others.
- To develop ability to deal effectively with moral complexity.
- To improve cognitive skills like
 - Moral awareness (proficiency in recognizing moral problems)
 - Moral reasoning (comprehending, assessing different views)
 - Moral coherence (forming consistent viewpoints based on facts)
 - Moral imagination (searching beyond obvious the alternative responses to issues and being receptive to creative solutions)
 - Moral communication (expressing and supporting one's views to others)
- To act in morally desirable ways viz.
 - Moral reasonableness (willing and able to be morally responsible)
 - Respect for persons (showing concern for the well-being of others)
 - Tolerance of diversity (respect for ethnic and religious differences, and acceptance of reasonable differences in moral perspectives)
 - Moral hope (believing in using rational dialogue for resolving moral conflicts)

PART-I HUMAN VALUES

MORALS

Morals are the welfare principles enunciated by the wise people, based on their experience and wisdom. They were edited, changed or modified in accordance with the development of knowledge from time to time.

Morality is concerned with principles and practices of morals such as: What ought or ought not to be done in a given situation? What is right or wrong about the handling of a situation? What is good or bad about the people, policies, and ideals involved?

VALUES

Humans have the unique ability to define their identity, choose their values and establish their beliefs. All three of these directly influence a person's behaviour. People have gone to great lengths to demonstrate the validity of their beliefs, including war and sacrificing their own life. Conversely, people are not motivated to support or validate the beliefs of another, when those beliefs are contrary to their own. People will act congruent with their personal values or what they deem to be important. A value is defined as a principle that promotes well-being or prevents harm. Values are our guidelines for our success—our paradigm about what is acceptable. Personal values are defined as emotional beliefs in principles regarded as particularly favourable or important for the individual. Our values associate emotions to our experiences and guide our choices, decisions and actions.

INTEGRITY

Integrity is defined as the unity of thought, word and deed (honesty) and open mindedness. It includes the capacity to communicate the factual information so that others can make well-informed decisions. It yields the person's peace of mind, and hence adds strength and consistency in character, decisions, and actions. This paves way to one's success. It is one of the self-direction virtues. It

enthuses people not only to execute a job well but to achieve excellence in performance. It helps them to own the responsibility and earn self-respect and recognition by doing the job. Moral integrity is defined as a virtue, which reflects the consistency of one's attitudes, emotions, and conduct in relation to justified moral values. Integrity comes in many forms, but honesty and dependability are two traits that are expected in most workplace situations. Without responsible behaviour, distrust can make a work environment tense and uncomfortable. A strong work ethic shows co-workers and clients that you're reliable and take your responsibilities seriously. Polite communication, respectable behaviour and fiscal responsibility also help you stand out as a trustworthy employee.

CIVIC VIRTUES

Civic virtues are the moral duties and rights, as a citizen of the country or an integral part of the society and environment. An individual may exhibit civic virtues by voting, volunteering, and organizing welfare groups and meetings.

The duties are

- To pay taxes to the local government and state, in time.
- To keep the surroundings clean and green.
- Not to pollute the water, land, and air by following hygiene and proper garbage disposal. For example, not to burn wood, tyres, plastic materials, spit in the open, even not to smoke in the open, and not to cause nuisance to the public, are some of the civic (duties) virtues.
- To follow the road safety rules.

On the other hand, the rights are

- To vote the local or state government.
- To contest in the elections to the local or state government.
- To seek a public welfare facility such as a school, hospital or a community hall or transport or communication facility, for the residents.
- To establish a green and safe environment, pollution free, corruption free, and to follow ethical principles. People are said to have the right to breathe in fresh air, by not allowing smoking in public.

- People have inalienable right to accept or reject a project in their area. One has the right to seek legal remedy, in this respect, through public interest petition
- Civic virtues as indispensable for a self-governing administration.

RESPECT FOR OTHERS

This is a basic requirement for nurturing friendship, team work, and for the synergy it promotes and sustains. The principles enunciated in this regard are:

- Recognize and accept the existence of other persons as human beings, because they have a right to live, just as you have.
- Respect others' ideas (decisions), words, and labour (actions). One need not accept or approve or award them, but shall listen to them first. One can correct or warn, if they commit mistakes. Appreciate colleagues and subordinates on their positive actions. Criticize constructively and encourage them. They are bound to improve their performance, by learning properly and by putting more efforts.
- Show goodwill on others. Love others. Allow others to grow. Basically, the goodwill reflects on the originator and multiplies itself on everybody. This will facilitate collinearity, focus, coherence, and strength to achieve the goals.

LIVING PEACEFULLY

To live peacefully, one should start to install peace within (self). Charity begins at home. Then one can spread peace to family, organization where one works, and then to the world, including the environment. Only who are at peace can spread peace. You can't gift an article which you do not possess. The essence of oriental philosophy is that one should not fight for peace. It is oxymoron. War or peace can be won only by peace, and not by wars.

One should adopt the following means to live peacefully, in the world.

Nurture

- Order in one's life (self-regulation, discipline, and duty).
- Pure thoughts in one's soul (loving others, blessing others, friendly, and not criticizing or hurting others by thought, word or deed).
- Creativity in one's head (useful and constructive).
- Beauty in one's heart (love, service, happiness, and peace).

Get

- Good health/ body (physical strength for service to enjoy the academic environment in the institution)

Act

- Help the needy with the head, heart and hands (charity).
- Not hurting and torturing others physically, verbally or mentally.

CARING

Caring is feeling for others. It is a process which exhibits the interest in, and support for, the welfare of others with fairness, impartiality and justice in all activities, among the employees, in the context of professional ethics. It includes showing respect to the feelings of others, and also respecting and preserving the interests of all others concerned. Caring is reflected in activities such as friendship, membership in social clubs and professional societies, and through various transactions in the family, fraternity, community, country and in international councils.

SHARING

Primarily, caring influences sharing. Sharing is a process that describes the transfer of knowledge (teaching, learning, and information), experience (training), commodities (material possession) and facilities with others. The transfer should be genuine, legal, positive, voluntary, and without any expectation in return. However, the proprietary information should not be shared with outsiders. Through this process of sharing, experience, expertise,

wisdom and other benefits reach more people faster. Sharing is voluntary and it can't be driven by force, but motivated successfully through ethical principles. In short, sharing is charity.

For humanity, sharing is a culture. Happiness and wealth are multiplied, and crimes and sufferings are reduced, by sharing. It paves the way for peace and obviates militancy. Philosophically, the sharing maximizes the happiness for all the human beings. In terms of psychology, the fear, divide, and distrust between the haves and have-nots disappear. Sharing not only paves the way to prosperity, but also sustains it. Economically speaking, benefits are maximized as there is no wastage or loss, and everybody gets one's needs fulfilled and satisfied. Commercially speaking, the profit is maximized. Technologically, the productivity and utilization are maximized by sharing.

HONESTY

Honesty is a virtue, and it is exhibited in two aspects namely,

- Truthfulness
- Trustworthiness

Truthfulness is to face the responsibilities upon telling truth. One should keep one's word or promise. By admitting one's mistake committed (one needs courage to do that), it is easy to fix them. Reliable judgement, maintenance of truth, defending the truth, and communicating the truth, only when it does good to others, are some of the reflections of truthfulness. But trustworthiness is maintaining integrity and taking responsibility for personal performance. People abide by law and live by mutual trust. They play the right way to win, according to the laws or rules (legally and morally). They build trust through reliability and authenticity. They admit their own mistakes and confront unethical actions in others and take tough and principled stand, even if unpopular.

Honesty is mirrored in many ways. The common reflections are:

- Beliefs (intellectual honesty)
- Communication (writing and speech)
- Decisions (ideas, discretion)
- Actions (means, timing, place, and the goals)
- Intended and unintended results achieved

As against this, some of the actions that lead to dishonesty are:

- **Lying:** Honesty implies avoidance of lying. A professional may communicate wrong or distorted test results intentionally or otherwise. It means giving wrong information to the right people.
- **Deliberate deception:** A professional may judge or decide on matters one is not familiar or with insufficient data or proof, to impress upon the customers or employers. This is a self-deceit.
- **Withholding the information:** It means hiding the facts during communication to one's superior or subordinate, intentionally or otherwise.
- **Not seeking the truth:** Some professionals accept the information or data, without applying their mind and seeking the truth.
- **Not maintaining confidentiality:** It means giving right information to wrong people. Accounting professionals should keep information of their customers/clients or of their employers confidential and should not discuss them with others.
- Giving professional judgement under the **influence of extraneous factors** such as personal benefits and prejudice. The laws, experience, social welfare, and even conscience are given a go-bye by such actions. Certainly this is a higher-order crime.

COURAGE

Courage is the tendency to accept and face risks and difficult tasks in rational ways. Self-confidence is the basic requirement to nurture courage. Courage is classified into three types, based on the types of risks.

- Physical courage - The thrust is on the adequacy of the physical strength, including muscle power and armaments. People with high adrenalin, may be prepared to face challenges for the mere thrill or driven by a decision to excel.
- Social courage – It involves the decisions and actions to change the order, based on the conviction for or against certain social behaviors. This requires leadership abilities, including empathy and sacrifice, to mobilize and motivate the followers, for a social cause.
- Intellectual courage – It is inculcated in people through acquired knowledge, experience, games, tactics, education, and training. In professional ethics, courage is applicable to the employers, employees, public, and the press.

Look before you leap. One should perform Strengths, Weakness, Opportunities, and Threat (SWOT) analysis. Calculate (estimate) the risks, compare with one's strengths, and anticipate the end results, while taking decisions and before getting into action. Learning from the past helps. Past experience (one's own or borrowed) and wisdom gained from self-study or others will prepare one to plan and act with self-confidence, succeed in achieving the desired ethical goals through ethical means. Opportunities and threat existing and likely to exist in future are also to be studied and measures to be planned. This anticipatory management will help anyone to face the future with courage.

VALUING TIME

Time is rare resource. Once it is spent, it is lost forever. It can't be either stored or recovered. Hence, time is the most perishable and most valuable resource too. This resource is continuously spent, whether any decision or action is taken

or not. The history of great reformers and innovators have stressed the importance of time and valuing time. The proverbs, Time and tide wait for nobody and Procrastination is the thief of time amply illustrate this point.

CO-OPERATION

It is a team-spirit present with every individual engaged in business. Co-operation is an activity between two persons or sectors that aims at integration of operations (synergy), while not sacrificing the autonomy of either party. Further, working together ensures, coherence, i.e. blending of different skills required, towards common goals.

Willingness to understand others, think and act together and putting this into practice, is cooperation. Cooperation promotes co linearity, coherence (blend), co-ordination (activities linked in sequence or priority) and the synergy (maximizing the output, by reinforcement). The whole is more than the sum of the individuals. It helps in minimizing the input resources (including time) and maximizes the outputs, which include quantity, quality, effectiveness, and efficiency.

The impediments to successful cooperation are:

- Clash of ego of individuals
- Lack of leadership and motivation
- Conflicts of interests, based on region, religion, language, and caste
- Ignorance and lack of interest

By careful planning, motivation, leadership, fostering and rewarding team work, professionalism and humanism beyond the divides, training on appreciation to different cultures, mutual understanding cooperation can be developed and also sustained.

COMMITMENT

Commitment means alignment to goals and adherence to ethical principles during the activities. First of all, one must believe in one's action performed and the expected end results (confidence). It means one should have the conviction without an iota of doubt that one will succeed. Holding sustained interest and firmness, in whatever ethical means one follows, with the fervent attitude and hope that one will achieve the goals, is commitment. It is the driving force to realize success. This is a basic requirement for any profession. Only when the teacher (Guru) is committed to his job, the students will succeed in life and contribute good to the society. The commitment of top management will naturally lead to committed employees, whatever may be their position or emoluments. This is bound to add wealth to oneself, one's employer, society, and the nation at large.

EMPATHY

Empathy is social radar. Sensing what others feel about, without their open talk, is the essence of empathy. Empathy begins with showing concern, and then obtaining and understanding the feelings of others, from others' point of view. It is also defined as the ability to put oneself into the psychological frame or reference or point of view of another, to know what the other person feels. It includes the imaginative projection into other's feelings and understanding of other's background such as parentage, physical and mental state, economic situation, and association. This is an essential ingredient for good human relations and transactions.

SELF-CONFIDENCE

Certainty in one's own capabilities, values, and goals, is self-confidence. These people are usually positive thinking, flexible and willing to change. They respect others so much as they respect themselves. Self-confidence is a positive attitude, wherein the individual has some positive and realistic view of himself, with respect to the situations in which one gets involved. The people with self-confidence exhibit courage to get into action and unshakable faith in their

abilities, whatever may be their positions. They are not influenced by threats or challenges and are prepared to face them and the natural or unexpected consequences. The self-confidence in a person develops a sense of partnership, respect, and accountability, and this helps the organization to obtain maximum ideas, efforts, and guidelines from its employees.

The people with self-confidence have the following characteristics:

- A self-assured standing
- Willing to listen
- To learn from others and adopt (flexibility)
- Frank to speak the truth
- Respect others' efforts and give due credit

CHARACTER

It is a characteristic property that defines the behavior of an individual. It is the pattern of virtues (morally-desirable features). Character includes attributes that determine a person's moral and ethical actions and responses. It is also the ground on which morals and values blossom. People are divided into several categories, according to common tendencies such as ruthlessness, aggressiveness, ambition, constricting selfishness, stinginess, cheerfulness, generosity and goodwill. Individuals vary not only in the type of their character but also in the degree. Those whose lives are determined and directed by the prevailing habits, fashions, beliefs, attitudes, opinions and values of the society in which they live, have at best a developed social as opposed to an individual character. The aim of education is not only the cultivation of the intellect but also the formation of moral character. Increased intelligence or physical skill may easily be employed to the detriment of the community, if not accompanied by improved will. It is the function of ethics to determine the ideals of human character.

SPIRITUALITY

Spirituality is a way of living that emphasizes the constant awareness and recognition of the spiritual dimension (mind and its development) of nature and people, with a dynamic balance between the material development and the spiritual development. This is said to be the great virtue of Indian philosophy. Sometimes, spirituality includes the faith or belief in supernatural power/ God, regarding the worldly events. It functions as a fertilizer for the soil character to blossom into values and morals.

Spirituality includes creativity, communication, recognition of the individual as human being (as opposed to a life-less machine), respect to others, acceptance (stop finding faults with colleagues and accept them the way they are), vision (looking beyond the obvious and not believing anyone blindly), and partnership (not being too authoritative, and always sharing responsibility with others, for better returns). Spirituality is motivation as it encourages the colleagues to perform better. Lack of motivation leads to isolation. Spirituality is also the energy and flexibility to adapt to challenging and changing situations. One should not be too dominating. Make space for everyone and learn to recognize and accept people the way they are. Variety is the order of the day. But one can influence their mind to think and act together. Tolerance and empathy are the reflections of spirituality.

PART-II PROFESSIONAL ETHICS

INTRODUCTION

Accounting professionals have an ethical and social responsibility to themselves, their clients and society. Practically, business ethics is about balancing cost, return and risk. Professional ethics is a means to increase the ability of concerned accountants, managers, citizens and others to responsibly confront moral issues raised by business activities. The awareness of moral issues and decisions confronting individuals and organizations are involved in commerce and management.

BUSINESS ETHICS

➤ Training In Preventive Ethics

- Stimulating the moral imagination
- Recognizing ethical issues
- Developing analytical skills
- Eliciting a sense of responsibility
- Tolerating disagreement and ambiguity

➤ Obstruction to Responsibility

- Self-interest
- Fear
- Self-deception
- Ignorance
- Egocentric tendencies
- Microscopic vision
- Groupthink

➤ Clearly Wrong Business Practices

- Lying
- Deliberate deception
- Withholding information
- Failing to adequately promote the dissemination of information
- Failure to seek out the truth
- Revealing confidential or proprietary information
- Allowing one's judgment to be corrupted.

➤ Questionable Business Practices

- Trimming - smoothing of irregularities to make data look extremely accurate and precise
- Cooking - retaining only those results that fit the theory and discarding others
- Forging - inventing some or all of the research data
- Plagiarism - misappropriating intellectual property
- Conflicts of interest - actual, potential, apparent

➤ Senses of Expression of Business Ethics

- Ethics is an activity and area of inquiry. It is the activity of understanding moral values, resolving moral issues and the area of study resulting from that activity.
- When we speak of ethical problems, issues and controversies, we mean to distinguish them from non-moral problems.
- Ethics is used to refer to the particular set of beliefs, attitudes and habits that a person or group displays concerning moralities.
- Ethics and its grammatical variants can be used as synonyms for morally correct.

THREE TYPES OF ETHICS

Common Morality

Common morality is the set of moral beliefs shared by all commerce students. It is the basis for the other types of morality. In ethics, we usually think of such principles as Ahimsa (no harm physically or mentally to or killing others or even suicides), Satyam (no lies and break of promises), Contentment (no greed, cheating or stealing) etc. We don't question these principles.

Three characteristics of common morality are identified as follows.

- Many of the principles of common morality are negative. The common morality is designed primarily to protect individuals from different types of violations or invasions of their personhood by others, such as killing, lying or stealing.
- Although the common morality is basically negative, it certainly contains positive or aspirational features in principles such as, prevent killing, prevent deceit and prevent cheating. Further, it includes even more positive principles, such as help the needy, promote human happiness, and protect the environment. This distinction between the positive and negative aspects of common morality will be important in discussing professional ethics.
- The common morality makes a distinction between an evaluation of a person's actions and of his intentions. An evaluation of action is based on moral principles considered, but an evaluation of the person himself is based on one's intention. Similarly, if you convey false information to another person with the intent to deceive, you are lying. If you convey the same false information because you do not know any better, you are not lying and not usually as morally culpable. Again, the result is the same (misleading the person), but the intent is different.

Personal Morality

Personal ethics or personal morality is the set of moral beliefs that a person holds. Our personal moral beliefs mostly and closely run parallel to the principles of common morality, such as ahimsa, satyam and contentment. But our personal moral beliefs may differ from common morality in some areas, especially where common morality appears to be unclear or in a state of change.

Professional Ethics

Professional ethics is the set of standards adopted by professionals. Every profession has its professional ethics: accounting, medicine, law, pharmacy etc. Business ethics is the set of ethical standards that applies to the accounting profession.

Some of the important characteristics of professional ethics are:

- **Formal code:** Unlike common morality and personal morality, professional ethics is usually stated in a formal code. Many such codes are promulgated by various components of the profession.
- **Focus:** The professional codes of ethics of a given profession focus on the issues that are important in that profession. Professional codes in the legal profession concern themselves with questions such as perjury of clients and the unauthorized practice of law.
- **Precedence:** In a professional relationship, professional ethics takes precedence over personal morality. This characteristic has an advantage, but it can also produce complications. The advantage is that a client can justifiably have some expectations of a professional, even if the client has no knowledge of the personal morality of the professional.
- **Restriction:** The professional ethics sometimes differs from personal morality in its degree of restriction of personal conduct. Sometimes professional ethics is more restrictive than personal morality, and sometimes it is less restrictive.

- **Two dimensional:** Professional ethics, like any ethics, has a negative as well as a positive dimension. Being ethical has two aspects: (a) preventing and avoiding evil, and (b) doing or promoting good.
- **Role morality:** This means the moral obligations based on special roles and relationships. For example, Parents having a set of obligations to their children, such as not to harm their children, nourish them and promote their flourishing. A political leader has a role morality, the obligation to promote the well-being of citizens. Professional ethics is one of the examples of role morality.

WORK ETHICS

Work ethics is defined as a set of attitudes concerned with the value of work, which forms the motivational orientation. It is a set of values based on hard work and diligence. It is also a belief in the moral benefit of work and its ability to enhance character. Work ethics may include being reliable, having initiative, or pursuing new skills. The work ethics is aimed at ensuring the economy (get job, create wealth, earn salary), productivity (wealth, profit), safety (in workplace), health and hygiene (working conditions), privacy (raise family), security (permanence against contractual, pension, and retirement benefits), cultural and social development (leisure, hobby, and happiness), welfare (social work), environment (anti-pollution activities), and offer opportunities for all, according to their abilities, but without discrimination.

Workers exhibiting a good work ethic in theory should be selected for better positions, more responsibility and ultimately promotion. Workers who fail to exhibit a good work ethic may be regarded as failing to provide fair value for the wage the employer is paying them and should not be promoted or placed in positions of greater responsibility. Work ethic is not just hard work but also a set of accompanying virtues, whose crucial role in the development and sustaining of free markets.

MORAL DILEMMAS

Dilemmas are situations in which moral reasons come into conflict, or in which the application of moral values are problems, and one is not clear of the immediate choice or solution of the problems. Moral reasons could be rights, duties, goods or obligations. These situations do not mean that things had gone wrong, but they only indicate the presence of moral complexity. This makes the decision making complex. There are some difficulties in arriving at the solution to the problems, in dilemma.

The three complex situations leading to moral dilemmas are:

- **The problem of vagueness:** One is unable to distinguish between good and bad (right or wrong) principle. Good means an action that is obligatory. For example, code of ethics specifies that one should obey the laws and follow standards. Refuse bribe or accept the gift, and maintain confidentiality
- **The problem of conflicting reasons:** One is unable to choose between two good moral solutions. One has to fix priority, through knowledge or value system.
- **The problem of disagreement:** There may be two or more solutions and none of them mandatory. These solutions may be better or worse in some respects but not in all aspects. One has to interpret, apply different morally reasons, and analyze and rank the decisions. Select the best suitable, under the existing and the most probable conditions.

The logical steps in confronting/addressing moral dilemma are:

- Identification of the moral factors and reasons. The clarity to identify the relevant moral values from among duties, rights, goods and obligations is obtained (conceptual inquiry). The most useful resource in identifying dilemmas in business is the professional codes of ethics, as interpreted by the professional experience. Another resource is talking with colleagues who can focus or narrow down the choice of values.

- Collection of all information, data, and facts (factual inquiry) relevant to the situation.
- Rank the moral options i.e., priority in application through value system, and also as obligatory, all right, acceptable, not acceptable, damaging, and most damaging etc. For example, in fulfilling responsibility, the codes give prime importance to public safety and protection of the environment, as compared to the individuals or the employers (conceptual inquiry).
- Generate alternate courses of action to resolve the dilemma. Write down the main options and sub-options as a matrix or decision tree to ensure that all options are included.
- Discuss with colleagues and obtain their perspectives, priorities, and suggestions on various alternatives.
- Decide upon a final course of action, based on priority fixed or assumed. If there is no ideal solution, we arrive at a satisfactory solution.

MORAL AUTONOMY

Moral autonomy is defined as, decisions and actions exercised on the basis of moral concern for other people and recognition of good moral reasons. Alternatively, moral autonomy means self-determinant or independent. The autonomous people hold moral beliefs and attitudes based on their critical reflection rather than on passive adoption of the conventions of the society or profession. Moral autonomy may also be defined as a skill and habit of thinking rationally about the ethical issues, on the basis of moral concern. Periodical performance appraisals, tight-time schedules and fear of foreign competition threatens this autonomy.

The attitude of the management should allow latitude in the judgements of their accounting professionals on moral issues. If management views profitability as more important than consistent quality and retention of the customers, it discourages the moral autonomy, and accountants are compelled to seek support from their professional societies and outside organizations for moral support. It appears that the blue-collar workers with the support of the union can adopt better autonomy than the employed professionals. Only recently,

legal support has been obtained by professional societies in exhibiting moral autonomy by professionals in this country.

Skills related to moral autonomy is listed as follows: Proficiency in recognizing moral problems and ability to distinguish as well as relate them to problems in law, economics, and religion; Skill in comprehending, clarifying, and critically-assessing arguments on different aspects of moral issues; Ability to form consistent and comprehensive viewpoints based on facts; Awareness of alternate responses to the issues and creative solutions for practical difficulties; Sensitivity to genuine difficulties and subtleties, including willingness to undergo and tolerate some uncertainty while making decisions; Using rational dialogue in resolving moral conflicts and developing tolerance of different perspectives among morally reasonable people; Maintaining moral integrity.

Autonomy is different from authority. It means independence in making decisions and actions. On the other hand, authority provides freedom for action, specified within limits, depending on the situation. Moral autonomy and respect for authority can coexist. They are not against each other. If the authority of the manager and the moral autonomy of the accountant are in conflict, a consensus is obtained by the two, upon discussion and mutual understanding their limits.