DISTORTION OF THE TRUTH IN ACCOUNTING AND ETHICS IN ACCOUNTING

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Abstract. *Accounting has evolved greatly from the earliest times to the present, from a "primary economic evidence" to "the measurement, evaluation, knowledge, management and control of assets, debts and equity, and the results obtained from the activity of natural and legal persons ". In all these times, accountants have been tempted to undertake various non-ethical activities to meet their personal needs. Thus, in recent decades, a series of famous financial scandals have emerged, such as: Enron, WorldCom, Andersen.*

The purpose of the article is to show that the non-ethical behavior of accountants appears not only when incorrect reports are made, but also when accountants falsify information to satisfy their own whims and / or personal needs.

Keywords: *financial situation, negative treasury, treasury flows, payment instruments*
JEL*: M41, M42*

Introduction

What is Ethics? According to the explanatory dictionary, ethics is a set of rules in relation to which a human group regulates their behavior to distinguish what is legitimate and acceptable in achieving the goals. In the paper Ética de la empresa, Cortina, A. (1994), considers ethics a "science that helps us to know man, his behavior and society as a whole".

Ethics provides principles and norms of moral care that underpin the politics of ethics in relation to the economy, delineates the boundaries between selfish interests and those dedicated to the communities, and gives economic agents indications as to what they should undertake or not to undertake in their specific activity.

Ethical accounting deals with moral judgments, based on the values and decisions that day-to-day professional accountants face in practice. According to Jianu (2014), determining the existence of a depreciation of goodwill is an issue of estimation, easy to manipulate according to the company's interests.

Ethical practices in business help to build a brand that attracts customers, investment and skilled personnel.

The distinction between the accountancy profession and other professions is conferred by the former assuming responsibility for the public interest. So professional accountants around the world need high-quality services in the public interest. Knowing ethics can help the professional accountant overcome ethical dilemmas and make the right choices, even if these choices will benefit the company, but will benefit the public who relies on the professional accountant and auditor.

1. Literature review

Ristea and Dumitru (2012) state that "accountants are in the middle of a triangle, they have to assess the reasoning of the management, apply their own professional reasoning and they will be judged by the regulators, the public, the investors, the shareholders and the creditors ".

A study led by the UK Business Ethics Institute (IBE, set up in 1986 with business ethics concerns - good business practices) clearly shows that companies that have explicitly undertaken to carry out their business by relying on they have earned profit margins up to 18% higher than companies that have not chosen this route (Balaciu, 2015, p. 24). We believe that this study is a clear proof that companies that have a code of ethics and adhere to it have exceeded the performance of those companies that do not have such a code, also referring to the fact that a code of ethics can be considered the brand of a well organized and especially well run company.

Breban et al. (2008, p. 19), referring to ethical behavior in the accounting profession, considers that "ethics obliges the professional accountant to show honesty and probity in the exercise of his mission, which seems to us to be of definite value. Because, in the professional qualities and independence of the professional accountant, the entity enjoys a high moral value, professional ethics will guarantee the entity not only a professional service but also the involvement of a person acting on the basis of high moral principles."

Ciubotariu M. S. (2010, p. 1) states that "the neutralization of ethical standards for accounting creates the possibility of manipulating facts and information, which, for example, are misleading, cause a person to invest under false pretexts, or to fraudulently present the financial situation of entities to its shareholders. "

The ethical duty of a professional accountant goes beyond the financial limit; it extends into areas such as social-corporate responsibility in an attempt to ensure that businesses and individuals they advise are aware of their own ethical responsibilities. This is important because the businesses and professionals who manage them are in the public eye. The management of the entities is under great pressure as now, because they have to demonstrate that both their strategy and their performance are in line with the expectations of the shareholders and the public interest in general (Ciubotariu, M., S., 2010, p.1).

2. The importance of ethics in the accounting profession

The National Ethics Code of Professional Accountants, mandatory as of January 1, 2007, sets forth the Fundamental Principles to be applied and respected by all professionals, and in particular by all members of the Body of Chartered Accountants and Authorized Accountants of Romania, in order to achieve the objectives in accordance with the International Ethical Code issued by the IFAC Worldwide Accounting Organization.

Fundamental principles are based on: independence, integrity, objectivity, professional competence and goodwill, confidentiality, professional conduct, respect for technical and professional standards.

The objectivity of a professional accountant may be threatened or threatened as a consequence of the customer's financial interests. In this case, the professional accountant must be prepared in such a way that, by virtue of his professional skills, he can assess by himself whether the financial interests influence his independence or objectivity in fulfilling his responsibilities.

In addition to the knowledge and application of professional ethics and norms, fair competition and fairness must be ensured between professional accountants, discouraging any aggressive or abusive tendency on the market by means that harm public interests.

Carmen Tamasi, Executive Director CECCAR Braila affirm that, ethics will represent for all professional accountants, prestige and independence in relation to economic and social society, encouraging through the services provided, transparency and credibility of financial information and will thus contribute to the harmonization of European standards.

2.1 Rules of professional conduct of professional accountants

Behavior of professional accountants has an essential impact on the economic well-being of the community. We take into account that the information provided by this professional segment allows the correct substantiation of economic decisions, having an effect on the standard of living.

The latest regulations on ethical and professional standards state that the objectives of the accounting profession require that the work be carried out to the highest standards. A distinct feature of the accounting profession is the assumption of responsibility for acting in the public interest.

A controversial professional does not have to be associated with the repositories, the communications also provide information in the same way that the proficient professional believes that this information (Dragan, O., 2016):

• ar contains a failure statement to be erroneous;

• it contains situations where the information provided without support is imprudent; sau

• omitting the information that must be included in the cases in which an omission has occurred and can be dealt with.

According to the National Code of Ethics of Professional Professionals established by C.E.C.C.A.R. (Chamber of Expert Accountants and Authorized Accountants of Romania), a professional accountant must observe the following fundamental principles:

1. Integrity
- to be honest and honest in all professional and business relationships

2. Objective
- to prevent prejudices, conflicts of interest, or undesirable influence from others to intervene in professional or business reasoning;

3. Professional competence and prudence
- to maintain professional knowledge and skills at the required level to ensure that a client or an employer will receive competent professional services based on the latest advances in practice, legislation and techniques and to act with care and in accordance with the technical and professional standards in force .

4. Confidentiality
- respect the confidentiality of information obtained from business and business links and therefore not divulge this information to third parties without proper and specific authorization unless they have a legal or professional right or a duty to do so make public or use them in the personal interest of the professional accountant or third parties.

5. Professional conduct (professionalism)
- comply with the main laws and regulations and avoid any action that discards the profession

6. Respect for technical and professional standards
- the professional accountant must perform his professional duties in accordance with the relevant technical and professional standards.

Source: Adaptation by National Code of Ethics of Professional Professionals established by C.E.C.C.A.R.

Professional accountants have the duty to perform with care and skill the instructions of the client or the employer insofar as they are compatible with the requirements of integrity, objectivity and, in the case of self-employed accountants, with independence. In addition, it must comply with the relevant legislation and professional and technical standards issued by: IFAC, IASB, CECCAR, CAFR. (Ţurlea, 2011).

2.2 The main factor that leads to deviations from ethics (financial interests)

Professional accountants may have financial interests or may be aware of the financial interests of immediate or close relatives, which may lead to ethical deviations in the accounting profession. For example, threats to objectivity or confidentiality related to their own interest may be caused by the existence of a reason and an opportunity to manipulate price-sensitive information to obtain financial gains. Examples of situations that may create self-interest threats include situations where a hired professional accountant or immediate or close relative:

- has a direct or indirect financial interest in the employing organization and the value of such interest may be directly affected by the decisions taken by the professional accountant employed;
- is eligible for a premium related to a profit and the amount of the premium may be directly affected by the decisions taken by the professional accountant employed;
- holds, directly or indirectly, share options in the employing organization whose value can be directly affected by the decisions taken by the professional accountant;
- holds, directly or indirectly, share options in the employing organization that are or will soon be eligible for conversion; or
- can qualify for share options in the employing organization or performance bonuses if certain objectives are met.

The importance of any threat should be assessed and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. In order to determine the appropriate safeguards to be applied, it is necessary to assess the nature of the financial interest. This includes an assessment of the importance of the financial interest and whether it is direct or indirect. Examples of protection measures include:

- policies and procedures for determining the level or form of remuneration of senior management by an independent management commander;
- presenting information on all relevant interests and on all trading plans in relevant actions with those charged with governance of the employing organization in accordance with internal policies;
- consultation of superiors within the employing organization, where appropriate;
- consulting those responsible with the governance of the employing organization or relevant professional bodies, where appropriate;
- internal and external audit procedures;
- updated education on ethical issues and related restrictions and other regulations on potential domestic transactions.

Under the National Ethics Code of Professional Professionals, a professional accountant employed should neither manipulate the information nor use confidential information for his own benefit. Next, I will present a case study according to which the professional accountant employed in a fictitious company has made the accounting information in its own intership, namely to satisfy the personal financial interest.

2.3 Examples of ethics deviation in accounting

SC "ALFA" SRL operates in the IT field. The main tasks of the company are web design, web programming and online marketing. Here are 10 employees: a team of 6 programmers, a manager, an accountant, a client consultant, and a cashier. In this company, all employees work together to bring customers' expectations high and maintain collaboration with various companies.

We know that everyone at different operational levels is facing a large number of problems today. The rapid increase in the number of Internet connections, e-commerce, increases the pressure on time, availability of information, ease of purchase, and the speed of order fulfillment.

The IT environment must be constantly available to support the company from system to database and applications, while the full cost of the IT system requires the flexibility and creative, modern methods of system administration.

On 13.02.N, the company acquires 10 computers to carry out its activity, 6 are for production staff and the other 4 are for tesa staff. The accountant records them in the accounts and begins the next month's depreciation. The company's accounting margin requires that depreciation takes place over a 12-month period for production computers because, due to the company's business activity, they depreciate more physically and morally than those used by the consultant, manager, accountant or cashier, with a 24-36 month depreciation period. After the end of the depreciation period, they are scrapped to become plastic and metal waste.

The accountant took the decision to depreciate all 10 computers for a period of 12 months, even if not all are subjected to physical and moral wear to the same extent.

The main reason he uses this gesture is due to his 4-computer company. That accountant was the owner of a travel agency. The manager has had great confidence in the accountant due to his professionalism that he has shown throughout the entire business of the firm, and because of this he has been able to steal these computers out of the firm.

In conclusion, we can say that this accountant does not respect the principle of integrity, is not honest and honest with the economic entity, lacks objectivity because his professional reasoning is guided by personal interest, and also violates the principle of professional competence and due attention by acting negligently in the case of technical standards of tangible assets, and his professional conduct is not honest and fair. According to the Code of Ethics, no damage is allowed that may affect the firm's business, but this accountant represents a threat of personal interest for the firm required is materialized in the inappropriate personal use of corporate assets.

Examples of non-ethical behavior can be seen by analyzing the work of major corporate accountants, such as Enron (a multinational company active in the energy field), WorldCom (one of the major players in the telecommunications industry).

Enron collapsed when the firm's real debts were valued, forcing the company to pay its loans from banks, loans based on the value of the shares. Debt situation was misleading due to the non-ethical behavior of professional accountants. In a few days, Enron came from a company worth about $ 60 billion to a bankrupt company.

In WorldCom, accountants have been defrauding financial statements, treating expenses as capital investments. This means that these transactions, instead of being downloaded immediately, were staggered over a much longer time. Thus, the profits were overestimated and the value of the shares increased.

These issues have caused tremendous waves of dissatisfaction on the part of the shareholders involved in the management and operation of organizations, operational staff and even the media that were looking for viable solutions.

Conclusions

The accounting profession has an important role in society. Accounting helps managers in their efforts to improve the company's performance and image, helps investors, creditors and the government to make decisions about possible funding for the firm (investment, loans and subsidies).

In principle, people have confidence in figures, but it is possible, in violation of the rules and accounting principles, that financial statements provide a distorted picture of the entity's economic reality. So, we can say that the behavior of users of financial information may be influenced by the distorted accounting image.

Thus, interest in ethics in accounting has recently increased, which is important for both professional accountants and financial information users. Nevertheless, despite the increased interest, there are some important shortcomings regarding rules, principles and values, which are presented in a segmented manner.

We believe that the existence of a code of ethics is not enough (and Enron has a code of ethics), it is necessary to involve top management and organizations patronizing these liberal professions to make this code a flexible and easy document followed as direction.

The current necessity in the accounting profession is the ethical education of professional accountants, allowing them to go beyond the simplistic rules of good and bad and to resist any manipulation of the managers, which infuses them to act fraudulently.

In conclusion, we can say that the breach of accounting ethics will always have repercussions on both the users of accounting services and the accounting profession by reducing its credibility among the public.

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