



# International Journal of Financial Management and Economics

P-ISSN: 2617-9210  
E-ISSN: 2617-9229  
IJFME 2020; 3(1): 63-66  
Received: 20-11-2019  
Accepted: 23-12-2019

**Neha Aniruddha Gosavi**  
Ph.D. Research Scholar,  
Department of Accountancy  
and Auditing, Savitribai Phule  
Pune University, Pune,  
Maharashtra, India

## Chartered accountants & code of ethics in finance

**Neha Aniruddha Gosavi**

### Abstract

A chartered accountant is a specialist in accounting, auditing, and taxes. Chartered accountants help the government repair the faltering Indian economy. Starting with strong ethical standards in finance is a smart place to start. The financial industry's ethics mostly address the handling of sensitive information and the reporting of unethical activities. Chartered Accountants are crucial in the financial industry. One of the most important concerns in finance is ethics. Participants in the financial industry must follow a strong code of ethics. This is essential for the organization's internal operations as well as its capacity to react to external decisions. Every organization's financial management and ethics are equally vital. As a consequence, financial ethics must be strictly adhered to.

**Keywords:** Chartered accountants, code of ethics, finance, ethical behavior, financial industry, ethical issues

### 1. Introduction

Careers in finance and accounting have grown in popularity as a result of the fast expansion of the economy, and the most renowned career choice in this sector is that of Chartered Accountant, which is the highest level of certification available. The profession of chartered accountant is one that is active, difficult, and rewarding. Every country has its own Accountancy Association, which is in charge of regulating the quality and number of accountants working in their respective nations. Our nation's first professional accounting course, the Chartered Accountants Act of 1949, established the first Chartered Accountancy Course in the country. It was in the same year that the Indian Institute of Chartered Accountants (ICAI) was established.

### 2. Chartered Accountant (CA)

A chartered accountant is a professional who has advanced training in accounting, auditing, and taxes. He also acts as a member of the management team and as a corporate caretaker. Accountancy has been more popular as a career in recent years. Even in a small firm, the services of a certified CA are essential in financial concerns. Furthermore, according to the Company Act, only CAs who are actively engaged in professional activity are permitted to be appointed as auditors of Indian corporations. When an individual is approved as a member of the Indian Institute of Chartered Accountants (ICAI) after passing the final test of the institute's Chartered accounting course, the individual is referred to as a chartered accountant or chartered accountant <sup>[1]</sup>.

#### 2.1 Role of Chartered Accountants' in the upliftment of a Nation

1. Non-profit organisations and corporations rely on Chartered Accountants to maintain track of their money, but they are also critical to the development of a country's infrastructure.
2. As an economic cornerstone, CAs may assist the government in a variety of financial and economic-related acts that will help to restore the ailing Indian economy and stimulate industrial development.
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4. The Role of a chartered accountant include a wide variety of tasks such as tax planning, capital budgeting, budget forecasting, financing, and the creation of books of accounts.
5. As a consequence of the implementation of the Goods and Services Tax, the role of chartered accountants has expanded dramatically in the contemporary climate <sup>[2]</sup>.

**Corresponding Author:**  
**Neha Aniruddha Gosavi**  
Ph.D. Research Scholar,  
Department of Accountancy  
and Auditing, Savitribai Phule  
Pune University, Pune,  
Maharashtra, India

### 3. What Is a Code of Ethics?

A code of ethics is a set of rules intended to assist professionals in doing their company in an honest and trustworthy manner. A code of ethics document may define the goal and values of a company or organisation, how professionals are expected to address challenges, the ethical principles that are founded on the organization's fundamental values, and the standards to which the professional is held to be adhered to [3].

### 4. Ethics in Finance

Ethics in Finance talks about financial behavior or activities that are ethically right or wrong.

Business ethics that are followed by financial institutions, financial services, or financial markets are the integral parts of ethics in finance.

It is generally used for describing finance which takes into account the ethical channelization of financial returns along with ESG (environmental, social, and governance) factors [4].

### 5. When it comes to finance, what exactly is ethical behaviour?

Truthfulness, integrity, honesty, justice, and fairness are all included within the ethics of finance, which apply to all types of financial transactions and transactions.

Although they are considered subcategories of general ethics, financial and business ethics are distinct disciplines. Harmony and stability are essential for the operation of financial services, where individuals engage with one another and conduct any kind of financial or monetary transaction.

### 6. What exactly do you mean when you say "finance"?

Finance is concerned with the movement of money on the market or other financial resources, such as financial markets, investment, insider trading, and so on.

The topic of finance is vast and complex, and it is primarily concerned with the definition and interrelationship of several aspects such as money, risk, and time to name a few. These are assets that take the form of money, and banks are the major facilitators in the transfer of these assets.

There are a myriad of operations that deal with the administration of monetary capital that fall within the purview of the financial markets. This backbone may assist and steer businesses in the conduct of their operations.

Using this statistic, businesses may better understand their position in the market and exploit it to gain an advantage over competitors. Financial knowledge is also required for making future investments, acquisitions, and other business choices. It is the beating heart and brain of every organisation, and it must be closely monitored [5].

### 7. Ethics in Finance or Financial Ethics: What Is It?

The path of action followed by a human being that may be either right or bad is governed by ethics.

To put it another way, ethics define a person's willingness to do the right thing, and they may be defined in terms of a profession or even an organisation, as in corporate ethics.

Due to the fact that a corporation is largely driven by financial requirements and instructions, it must choose the ethical way into the future. This may be accomplished both internally and externally, resulting in a favourable work environment for workers, stakeholders, and the company's

market position in the long run.

Organizational ethics is one of the most crucial and complicated components of a company's operation, particularly in highly regulated industries such as banking. According to the organization's conventional morality and corporate ethics, all human activity is connected with either "right" or "wrong" consequences.

Because of the many scandals and ethical difficulties that have occurred in the financial sector, finance ethics is very important. The management of crucial non-public information and the reporting of unethical acts are the primary concerns of ethics in the financial industry.

Maintaining high ethical standards in finance-related activities by being informed, educated, and maintaining high moral standards in economic, corporate, business, and finance-related activities is a good way to start. It deals with all kinds of immoral behaviour and financial interests [5].

#### a. Common Codes of Ethics in Finance

A company's financial conduct towards its workers, customers, the general public, and other stakeholders is governed by a variety of moral codes that must be observed.

1. Maintaining the highest levels of honesty and integrity while dealing with financial issues.
2. In personal and business interactions, refraining from associating with any actual or apparent conflicts of interest
3. Providing information in and for various papers and reports that is comprehensive, accurate, fair and complete; relevant; objective; intelligible; and timely.
4. Adhering to all applicable rules, laws, and regulations of the government, as well as those of other relevant public and private regulatory authorities.
5. Acting in good faith, with appropriate care and attention to detail as well as competence, and refraining from any kind of distortion of key information.
6. Maintaining the secrecy of information obtained during the course of business, and such information should not be exploited for one's own personal gain or advantage.
7. Encouraging ethical conduct among all colleagues and stakeholders of a corporation
8. The company's code of ethics must be followed and promoted [3].

#### 8. The Importance of Ethics in the Finance Industry

Importance of ethics in the financial and service industries, as well as how to deal with the ethics-related problem.

##### ▪ Establishes a moral code of conduct

Some of the obstacles that exist in the financial market include uneven knowledge, the abuse of authority and resources, and so on.

In such instances, as well as those involving third-party relationships, the sector is in desperate need of a solid code of conduct that can be followed. All transactions, from investment to trading to stock to economic operations of the corporate or financial system, adhere to an ethical code in all of their transactions, regardless of the kind of transaction.

##### ▪ The use of ethics in finance fosters trust in business and corporate interactions

For the financial sector, the primary goal is to engage in direct transactions with the manufacturing industry.

These companies have a direct line of communication with

their customers in the form of product or service delivery, and they look forward to earning their trust.

Despite the fundamental goal of maintaining a competitive position in the business, they must do it on the basis of ethical considerations. In addition to such methods, doing what is right morally will have positive results for firms over the long run.

- **Ethics promotes harmonious business/corporate conduct**

We may anticipate a large number of individuals to be a part of any company in the financial business.

Due to the fact that these individuals must collaborate on a variety of levels while working toward a common goal, a set of ethical standards and principles must be established and strictly adhered to.

In turn, this will assist in effective management and increased output from the workforce <sup>[5, 6]</sup>.

### 9. Business Ethics for a Finance Advisors

Financial advisors must have the ability to manage significant quantities of other people's money, but just having the ability is not sufficient. Financial managers have a tremendous opportunity to enrich themselves personally while simultaneously destroying a customer or business via poor decision-making. The existence of an ethical code in finance, as well as the practice of living up to those values on a daily basis, are vital.

In the financial industry, typical standards found in a code of ethics include:

- Act with honesty and integrity.
- Keep conflicts of interest in work ties to a bare minimum. Also, keep the appearance of such disagreements to a minimum.
- Make accurate, impartial, and clear information available to the public. Include both good and negative aspects of the topic so that your listeners get a complete view.
- Follow all applicable laws and regulations regulating your employment as well as your company's operations.
- Make decisions in good faith and with independent judgment. Don't let your own self-interest or other considerations influence your suggestions.
- Under no circumstances may sensitive information be shared or used for one's own benefit.
- Establish and maintain an internal control mechanism to defend against unethical conduct.
- Inform the authorities of anybody you believe is breaking the code <sup>[7]</sup>.

### 10. Unethical Dealing in the Financial Markets

- **Faking the Numbers is one method of deception.**

Faking the statistics is one of the most often seen unethical acts in the reporting and analysis of finances, economics, investing, and commercial operations, among other areas.

- **Misappropriation of Assets**

When money from a charitable organisation are utilised for purposes that are unrelated to the organisation, this is considered an unethical practise.

- **Concerns Regarding Transparency**

In certain contexts, sharing information (public or private) excessively or exposing information too little is considered

unethical. For example, concealing a loss from prospective investors is against the law.

- **Executive Focusing Techniques**

Another immoral problem is that too much emphasis is placed on the executives and that they are given too much authority, since this may provide the executive the ability to exert pressure on the reporting and analysis team.

- **There is no clear chain of command.**

In order to provide financial reporting and analysis, every firm should establish a correct chain of command; otherwise, it would be immoral for the company to do business <sup>[5, 7]</sup>.

### 11. Ethical Issues Faced by the Accounting Profession

Certified Public Accountants (CPAs) are not immune to legal risks and can wade into risky territory at any time. Ethical and legal dilemmas cannot always be avoided. Superior risk management strategies must be put into place to help prevent any unintended legal ramifications from the work CPAs do for their clients.

Common ethical dilemmas should be considered and guarded against before problems arise.

- **Manipulation of the Figures**

Running a company puts you under a lot of stress, particularly when things aren't going so well. When that occurs, it's tempting to ask your accountant to fudge the figures. It's a serious issue for accountants, whether they're in-house or contracted.

They have an ethical – and legal – duty to truthfully describe your financial condition, or face civil or criminal consequences, even ending their careers. However, they need to earn a livelihood and may fear losing their employment or clientele if they don't comply.

- **Omissions**

An accountant may also feel pressured to exclude information from financial reports if it may harm the firm. It's the opposite of purposefully falsifying statistics, and it's probably simpler. It's like a kid deciding between lying to Mom or letting her be oblivious of some terrible conduct. In the end, both are incorrect.

An investor who invests in your firm without knowing about a possible issue can't appropriately estimate the risks. To attract high-level investors, Theranos founder Elizabeth Holmes recently exaggerated the usefulness of her medical devices by showcasing other firms' technologies. Similarly, an accountant who just tells you what you want to hear might create holes in your management knowledge. That may backfire if you make a critical business choice based on insufficient data.

- **Information Access and Confidentiality**

Accountants, like physicians and attorneys, deal with sensitive data on a daily basis. Inappropriate use of information or failure to secure sensitive information are also ethical difficulties for accountants. Insider trading is one of the most evident concerns. Insider trading instances like that of Martha Stewart and lately Rep. Chris Collins are well-known.

Two more include revealing firm secrets to competitors or allowing outsiders to steal your data via neglect. Ironically,

standing up for what you believe in might constitute a violation of confidentiality. Outsiders could assume you've been up to something if your accounting crew leaves suddenly and no one knows why.

#### ▪ **Interest Conflicts**

Conflicts of interest might be difficult to identify. In other words, if your senior accounting staff is paid depending on stock price, they'll make choices that favour greater stock prices, even if they're bad for the firm or its investors. Similarly, accountants auditing your company's finances may follow the adage "don't ask questions you don't want answered." Making clear decisions about your company's culture may assist prevent issues from arising in the future.

#### ▪ **Whistling**

Finally, accountants must decide whether to expose a corporation or division that is unethically altering or misrepresenting its figures. This knowledge might lead a firm to collapse or lose most of its stock value overnight. Many investors lose money, and the accountant's colleagues and coworkers lose jobs. There's a genuine danger of reaction and intimidation, and a bad reputation may ruin a career.

### **12. Conclusion**

Chartered Accountants are the backbones of the financial sector, and they are indispensable. In the realm of finance, one of the most crucial issues to consider is ethics.

The financial sector requires that the organisations that participate adhere to a strict code of ethics. This is required for the internal functioning of the organisation, as well as for the organization's ability to respond to external choices that have an impact on it.

Financial planning and management is the backbone of every organisation, and ethics are equally important. As a result, financial ethics must be followed faithfully and without deviation.

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